Amati VCT plc

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 28 February 2013

Amati Global Investors

Finely crafted investments

CONTENTS

	Page
Overview	1
Chairman’s Statement	3
Fund Manager’s Review	5
Investment Portfolio	9
Top Ten Investments	13
Board of Directors	17
Directors’ Report and Business Review	18
Statement of Directors’ Responsibilities	27
Statement of Corporate Governance	28
Directors’ Remuneration Report	33
Independent Auditor’s Report to the Members of Amati VCT plc	35
Income Statement	37
Reconciliation of Movements in Shareholders’ Funds	38
Balance Sheet	39
Cash Flow Statement	40
Notes to the Financial Statements	41
Notice of Annual General Meeting	54
Shareholder Information	57
Corporate Information	58
Proxy Form	59

Highlights

- 2.2% fall in NAV Total Return for the year compared to a fall of 9.5% for the FTSE AIM All-Share Total Return Index.
- NAV plus cumulative dividends since launch of 102.8p per share at 28 February 2013, including cumulative dividends paid to date of 33.3p per share.
- 3p proposed final dividend per share, following 2p per share interim dividend paid on 7 December 2012.
- Offer for subscription closed in October 2012 after raising £2.6m.
- New offer for subscription opened in February 2013 to raise up to £15m.

Corporate objective

The objective of Amati VCT plc (the "Company") is to provide an attractive return to shareholders. The Company generates tax-free capital gains and income by building and maintaining a well-balanced portfolio of qualifying investments for the purposes of the tax legislation under which the Company operates. The qualifying investments are predominantly in AIM-traded companies or companies to be traded on AIM. The Company is managed as a Venture Capital Trust in order that shareholders may benefit from the tax reliefs available.

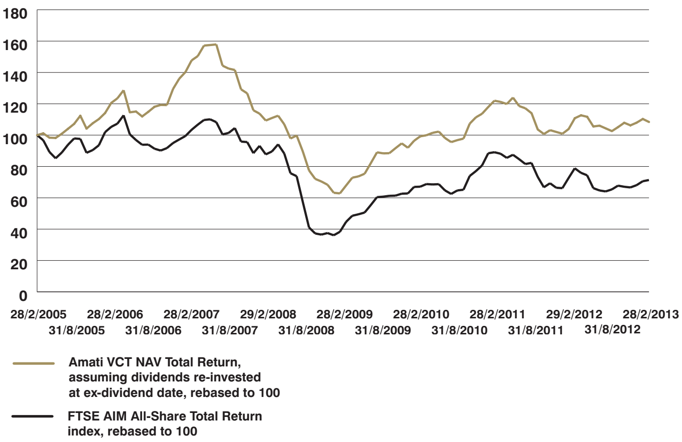
Fund performance

NAV Total Return since inception assuming re-invested dividends up to 28 February 2013 was 8.4%. Over this period the FTSE AIM All-Share Total Return Index has shown a return of -28.7%.

Key data

	28/02/13	29/02/12
Net Asset Value ("NAV")	£32.1m	£33.1m
Shares in issue	46,166,514	43,398,111
NAV per share	69.5p	76.2p
Share price	73.0p	75.0p
Market capitalisation	£33.7m	£32.5m
Share price premium/(discount) to NAV	5.0%	-1.6%
NAV Total Return for the year (assuming re-invested dividends)	-2.2%	-8.6%
FTSE AIM All-Share Total Return Index	-9.5%	-10.5%
Dividends proposed/paid in respect of the year	5.0p	5.0p

Amati VCT NAV Total Return assuming re-invested dividends and FTSE AIM All-Share Total Return Index:



Dividends paid and recommended since launch

Ordinary share

In respect of year ended 28/29 February	Total dividends declared p	Cumulative dividends declared p	Average total annual dividends declared p
2006	3.30	3.30	3.30
2007	4.25	7.55	3.78
2008	6.25	13.80	4.60
2009	3.50	17.30	4.33
2010	4.00	21.30	4.26
2011	5.00	26.30	4.38
2012	5.00	31.30	4.47
2013	5.00	36.30	4.54

Table of investor returns to 28 February 2013 from a sample of share issues

Date	Price gross of costs	Price net of costs	Price gross after tax rebate#	Total return excluding subscription costs and tax rebate	Total return including full subscription costs and tax rebate#
Initial Offer	100.0p	94.8p	60.0p	8.4%	71.2%
4 January 2006	111.2p	105.4p	66.7p	-1.7%	55.3%
4 April 2006	123.5p	117.0p	74.1p	-12.2%	38.6%
21 March 2007	133.0p	130.3p	93.1p	-22.7%	8.2%
4 April 2008	96.5p	91.7p	67.6p	-0.8%	34.6%
6 October 2008	79.6p	75.6p	55.7p	20.3%	63.3%
17 October 2008**	67.4p	67.4p	67.4p	34.8%	34.8%
3 April 2009	54.5p	51.8p	38.2p	71.8%	133.2%
3 April 2010	79.2p	75.2p	55.4p	11.9%	51.9%
5 April 2011	93.2p	88.1p	65.2p	-9.7%	21.9%
5 April 2012	81.8p	77.7p	57.3p	-4.0%	30.3%

assumes full recovery of tax relief (y/e 5 April 2006 – 40%; subsequent years – 30%)

** *shares issued to Noble Income & Growth VCT plc shareholders as a result of the asset acquisition*

Table of returns to 28 February 2013 from shares issued under the Dividend Reinvestment Scheme

Date	Price gross of costs	Price net of costs	Price gross after tax rebate#	Total return excluding subscription costs and tax rebate	Total return including full subscription costs and tax rebate#
4 July 2007	135.1p	135.1p	94.6p	-28.5%	2.2%
7 December 2007	111.3p	111.3p	77.9p	-14.7%	21.9%
15 February 2008	94.3p	94.3p	66.0p	-3.5%	37.9%
5 December 2008	58.0p	58.0p	40.6p	53.5%	119.3%
17 August 2009	61.1p	61.1p	42.7p	40.9%	101.3%
11 December 2009	68.6p	68.6p	48.0p	22.8%	75.4%
13 August 2010	73.3p	73.3p	51.3p	10.9%	58.5%
10 December 2010	85.1p	85.1p	59.6p	-6.7%	33.3%
12 August 2011	74.3p	74.3p	52.0p	3.2%	47.4%
13 February 2012	74.4p	74.4p	52.1p	0.3%	43.2%
14 August 2012	67.9p	67.9p	47.5p	5.4%	50.5%
7 December 2012	66.9p	66.9p	46.8p	3.9%	48.4%

assumes full recovery of tax relief (y/e 5 April 2006 – 40%; subsequent years – 30%)

Simon Miller
Chairman

Results

As at 28 February 2013, the Company's net asset value per share was 69.5p, down from 76.2p at this time last year, which, after taking account of 5p per share of dividends paid during the year, resulted in a NAV Total Return for the year of -2.2% (with dividends re-invested). This compares to a decrease of 9.5% for the FTSE AIM All-Share Total Return Index. An interim dividend of 2p per share was paid on 7 December 2012 and a final dividend for the year of 3p per share is being proposed. If this is approved by shareholders, then the dividend will be paid on 12 August 2013 to shareholders on the register on 19 July 2013.

For the period from the Company's launch in the tax year 2004/05 to 28 February 2013, the NAV Total Return per share, assuming re-invested dividends, was +8.4%. This compares to a movement of -28.7% for the FTSE AIM All-Share Total Return Index over the same period.

The Company's dividend policy is to pay dividends amounting to between 5% and 6% of year end net asset value per share. The proposed 3p per share final dividend, giving a total of 5p per share for the year, will mean that total dividends will represent around 7.2% of year end net asset value. This is a little above the target level but is in line with last year and reflects the board's confidence in the outlook for the investment portfolio.

Investment Performance

The Company has had a mixed year in a lacklustre world economy. A full account of the Company's investment activity and performance is given in the Manager's report, which I commend to your attention. The performance was, nevertheless, well ahead of the FTSE AIM All-Share Total Return Index which has been faring poorly compared to the full list indices. As a result there has been a good deal of discussion about the performance of AIM which remains one of the most significant and successful junior exchanges for companies valued at between £20m and £200m in the world. The removal of stamp duty next year and the possible extension of ISAs to include AIM, should help to further develop the market. A greater diversification away from resources companies would also help and AIM-based VCTs have an important role to play here, in helping the most exciting businesses to raise capital on the exchange and make the best use of their quotation. The Manager has been much encouraged by the quality of investment opportunities over the course of the last year.

Offer for subscription

The Company's top up offer for subscription which opened in February 2012 closed on 12 October 2012 raising £2.6m. The Company launched a prospectus based share offer in February 2013 jointly with Amati VCT 2, which as at 15 May 2013 had raised £3.3m for Amati VCT to date.

The Company has continued to offer an enhanced share buyback and re-investment facility, which offers existing shareholders an efficient way of making a new investment in the Company from the proceeds of selling shares held for longer than the qualifying period. It also remains the board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest, including the maintenance of sufficient resources for investment in new and existing investee companies and the continued payment of dividends to shareholders. The purpose of the buyback policy is to satisfy demand from those shareholders who are seeking to sell their shares, given that there is a very limited secondary market for shares in Venture Capital Trusts generally. Throughout the year, some 1.4 million shares were bought back by the Company and cancelled.

In the budget published in March 2013 concern was expressed about VCTs offering enhanced share buybacks, following a number of representations to the Government from investors. The Manager is actively involved in the debate on this topic, and it would be reasonable to expect some further guidance on the subject to appear later in the year.

Board changes

I will stand down as Chairman at the AGM. I joined the board at the formation of the Company and have now chaired it for approaching nine years. I have thoroughly enjoyed my time and greatly appreciate the support I have received from my board colleagues and the Manager. Peter Lawrence will become Chairman, subject to his re-election by shareholders at the AGM and a search is underway to find a new member of the board.

Change of Registrar

The Company has changed its registrar from Computershare Investor Services to The City Partnership (UK) Limited. This means that all administrative enquires can now be dealt with by The City Partnership, who also act as company secretary and as receiving agent for the current share offer. There is no need for shareholders to take any action and all current share certificates will remain valid.

Annual General Meeting

The AGM will be held at 12 noon on 24 June 2013 at the offices of Abchurch Communications, 16th floor, 125 Old Broad Street, London EC2N 1AR. Light refreshments will be served and I do hope that you will be able to attend.

If you have any queries about either your investment in the Company or about the Company's performance, please do not hesitate to contact the company secretary on 0131 243 7215. There is also a dedicated email enquiry service through vct-enquiries@amatiglobal.com and the Company's fund manager, Amati Global Investors ("Amati"or "Manager"), maintains an informative website for the Company – www.amatiglobal.com - on which monthly investment updates, performance information and all relevant documentation can be found.

Simon Miller
Chairman

15 May 2013

Market review

The first half of the year was dominated by the Eurozone sovereign debt crisis, the US budget negotiations, and concerns over a slowdown in growth in China. After a positive start to the year, stock markets fell sharply in May after an inconclusive election in Greece and the resurfacing of concerns about the Spanish banking system. In response, Eurozone leaders agreed in June to recapitalise the banks directly and in July, Mario Draghi, the ECB President said: "Within our mandate, the ECB is ready to do whatever it takes to preserve the Euro. And believe me, it will be enough". This was a "shock and awe" statement, based on the theory that betting against the promise of unlimited liquidity would be seen as pointless and so in practice, little actual market support would be needed. It turned out to be a big enough gesture to change the underlying tone of both equity and bond markets. Since then stock markets have been in a rising trend. Markets were given further impetus following the US Presidential election, as a consensus formed around the likelihood of an agreement to avert the fiscal cliff. In addition, there has been a smooth transition of power in China through the change of leadership, and there is a growing expectation that a 'hard landing' has been avoided in the Chinese economy.

So far, stock market sentiment has been improving faster than average earnings have been rising, so a significant portion of gains have come from an upwards re-rating of share prices. In this sense, the stock market appears to be forecasting a successful "muddle-through" for the sovereign debt crisis and a resumption of normal growth conditions over the next few years. During the second half of the year it became evident that the US economy is showing a much stronger return to growth than that of Europe. In addition to having a more flexible economy, the benefit of cheap energy from shale gas and shale oil is now really starting to show for the US. From a European (including the UK) point of view, this is very disconcerting as it is hard to see how this balance can be redressed. With such high levels of government debt and with intractable budget deficits, Europe is sorely in need of some good news.

Performance

The year under review saw the NAV Total Return fall 2.2% versus the FTSE AIM All-Share Total Return Index which fell 9.5%. Whilst the FTSE AIM All-Share is our best proxy and the VCT outperformed this benchmark by 7.3%, it was disappointing not to fare better in a period of good performance for most small cap indices. We set out below the positions that had the greatest bearing on the VCT's performance.

The biggest positive contributor to performance over the year was **Hardide**, which is predominantly held as a convertible loan. The value of the convertible loan is determined, in part, by the underlying equity value of the company and Hardide experienced significant share price appreciation over the year, with the stock rising 67%. This was driven by a sequence of positive trading updates which culminated in final results which reported strong revenue growth, a maiden profit and a robust balance sheet. The appreciation in the value of our holding prompted us to convert and sell a portion of the loan note holding for portfolio management reasons. The share price of IDOX appreciated by 71%, following a sequence of earnings upgrades. IDOX continues to impress with well thought-out earnings, enhancing acquisitions of software businesses in its two areas of core competence, which are UK local authority planning departments and engineering document management. It also demonstrates high levels of recurring revenues with customers. Despite the share price rise over the past twelve months, **IDOX** is a company that we believe can continue to meet, if not exceed, the high expectations that have been set. **Anpario**, the supplier of high performance feed additives to agriculture and aquaculture customers, also continued to deliver positive share price performance, rising 58% over the year. Anpario's products improve yield and productivity in a world where food shortage is becoming increasingly acute, typifying the type of structural growth story that we seek as investors. Other positive contributors were **Belvoir Lettings**, the lettings agency franchisor that floated at the end of the prior financial year, which has proved popular with investors seeking access to an established structural growth story with high returns on capital; **FFastFill**, which received a cash offer from its largest shareholder, a strategic investor with other interests in trading software businesses; and **Judges Scientific**, an acquisition vehicle focusing on niche scientific instrumentation companies.

Unfortunately, the positive performance generated by, amongst others, the positions described above was neutralised by some disappointments. The greatest negative contributor to performance was **Music Festivals**. Prior to floating on AIM this company's flagship asset, a music festival at Benicassim in Spain, had traded profitably and been gradually built up over a number of years. Its secondary asset, a music festival at Hop Farm in Kent, likewise had built a good reputation. However, after flotation the founder, Vince Power, who is one of the UK's most seasoned music promoters, expanded both festivals too aggressively without giving any warning of this to shareholders and the festivals were hit by terrible rain in the UK and a full blown economic depression in Spain. The miscalculation was serious and the company became overwhelmed by debts that it could not pay. The VCT's investment was made predominantly through a loan stock instrument, which we would normally have expected to withstand a level of underperformance by the company. However, the losses incurred were too great and too sudden to leave much scope to recover value. **Fulcrum Utility Services**, a company which provides design and installation services for connections to the gas grid, and which we had high hopes for a year ago, failed to achieve the revenue growth it needed to complete its turnaround successfully. The company witnessed delays in converting contracts into sales as larger customers deferred capital expenditure decisions. Fortunately we became uneasy about the company's position early on and sold two thirds of the holding over the summer. The company has recently appointed a new chief executive, who can hopefully re-invigorate the sales progression. We also took the decision to write-off the value of the VCT's equity position in **TMO Renewables**, one of the few unquoted holdings in the portfolio. The company was running perilously low on cash and we anticipated that any new equity issue would be highly dilutive to the VCT's existing position.

Deltex Medical Group, one of the largest investments in the portfolio, saw its shares fall back during the year. It had a frustrating year waiting for the publication of the details of the Commissioning for Quality and Innovation (CQUIN) payment framework which incentivises hospitals to adopt enhanced fluid management procedures in major surgery. This payment framework is now in place, and should lead to an accelerated adoption of Deltex's Cardio-Q monitors. The monitor provides accurate measurements of blood flow which is expressed in distance per cardiac cycle. The guidelines on national incentive payments were due to be published in March 2012 but, in the event, appeared only on Christmas Eve. If the technology adoption strategy, which has been driven centrally in the NHS, is successful, then we should start to see this company realising its potential. The level of interest is also now rising significantly in the US and the company has increased its level of investment in this territory. The most disappointing performer in the non-qualifying portfolio was **Hargreaves Services** which saw its share price decline following a geological issue at its Maltby coal mine and accounting issues at its Belgian subsidiary. **London Capital Group Holdings**, the spread betting provider, was also weak, blaming low volatility for suppressed trading volumes which translated into decreased revenues.

Transactions

Qualifying portfolio

The Company invested £3.7m in five new qualifying holdings during the year. Of these, one was made through an Initial Public Offering ("IPO") on AIM, three were through secondary placings from companies with an existing AIM quotation, and one was an unquoted investment split into two tranches. We also made one follow-on qualifying investment in an AIM quoted company.

We participated in the IPO of **Fox Marble Holdings**, a company which is a UK company developing marble quarries together with a cutting and polishing plant in Kosovo. This is one of Europe's poorest countries with which Britain has fostered close ties. Fox Marble Holdings is bringing much needed investment to the region which boasts one of the last known undeveloped world-class marble deposits. This investment was structured as part equity and part convertible loan. Paul Jourdan has since joined the board of the company.

The three new holdings bought through secondary placings were as follows: **Judges Scientific** raised money in a placing of shares to continue its strategy of buying complementary niche instrumentation and precision engineering businesses. This buy and build model has proven very successful, and the company is now generating sufficient cashflow to self-fund a continuation of its acquisition strategy. **Universe Group** shares a chairman (Robert Goddard) with Hardide. It is a leading supplier of software and payment systems to petrol station forecourts and is seeking to expand its range of services. It raised a small amount of money to finalise the restructuring of the business under a recently appointed CEO and to allow room for expansion into other product areas. Its restructuring was completed after the fund raising with the disposal of a non-core, loss making, contract manufacturing division. It is now a simpler, higher margin software and technology business. **Ideagen** is a knowledge management software business focused on specialist markets with onerous compliance requirements. It raised funds to acquire Plumtree, a provider of compliance software to healthcare customers. There is an opportunity to consolidate the compliance software market and Ideagen appears well placed to capitalise on this theme.

The unquoted investment was in **Polyhedra Group** (formerly called EcoData Group) in which the original equity investment was followed by a larger convertible loan investment later in the year. Polyhedra Group has an exclusive contract to track pharmaceutical waste in Italy through the supply chain from the pharmacist to final disposal. Polyhedra Group has moved into other high margin areas of the pharmaceutical supply chain through the acquisition of a prescription and over-the-counter drugs labelling business, and a company with a unique technology to generate tamper-proof dual barcodes for a variety of end markets. Douglas Lawson has been appointed to the board of Polyhedra Group.

The follow-on investment we made was in **Software Radio Technology**, which we added to as part of a placing to fund working capital in anticipation of a ramp-up in orders as deadlines approach in different countries around the world mandating the use of its principal product – automatic identification systems (AIS) – on boats.

The most significant qualifying disposals during the year were: **ADVFN**, the financial data service provider; **Manroy**, the manufacturer of defence equipment; **Green Compliance**, the support services buy and build vehicle; and **Pressure Technologies**, the designer and manufacturer of speciality engineering solutions for high pressure systems.

Non-qualifying portfolio

We added several new positions to the non-qualifying portfolio. These are generally stocks also found in TB Amati UK Smaller Companies Fund, for which we research UK quoted companies capitalised at up to £2bn. We rather under-used this capability last year, as we were too cautious on the outlook and wished to have cash available to complete some substantial new qualifying investments. In the autumn, we began to make some new non-qualifying investments as follows. **Amerisur Resources**, an oil and gas exploration and production company with assets in Colombia and Paraguay. Amerisur raised funds to bid in a government licensing round for a concession next to its highly productive Platinillo block in Columbia. The bid was made jointly with Pluspetrol and was successful, giving Amerisur 60% of a highly prospective block next to their currently producing assets. **Blinkx**, which owns the world's most sophisticated video search engine technology. The principal application for this technology is the placing of contextually relevant advertisements in front of video content on the web. There are several drivers behind Blinkx's strong growth, namely the rise in consumption of video content on the web which, in turn, is being driven by rapid tablet and smartphone adoption and the increase in online video advertising inventory. **Brooks Macdonald Group**, which we bought through a placing that the company undertook to fund the acquisition of Spearpoint, an integrated wealth management business based in the Channel Islands with assets under management (AUM) of £1.1 billion. This deal increased group AUM to £4.5 billion and added access to the expanding international pensions market. **Quintain Estates & Development**, which is a leading property development and investment specialist. Quintain is in the process of developing two large London urban regeneration sites at Greenwich Peninsula and Wembley. We added a position to the portfolio in order to access a buoyant property market at an attractive discount to net asset value. We also acquired a holding in **Dignity**, one of the UK's leading funeral services providers, as it raised funds to acquire Yew Holdings, an operator of 40 funeral locations and two crematoria located in the north of England.

Several positions were exited, including: **Eros International**, the Bollywood film producer; **Skywest Airlines**, the Australian airline company; **Anglo Pacific Group**, the mining royalties acquirer; **Hargreaves Services**, the diversified coal business; **XP Power**, the provider of power control solutions; **RPC Group**, the European packaging company; and **Waterlogic**, which designs, installs and services water purification and dispensing units.

Outlook

The strong momentum in the market during late 2012 and early 2013 has resulted in many stocks appearing fairly fully priced, albeit that this is less true further down towards the micro-cap end of the market. There has been a strong sense that investors who have been sitting on cash or very low yielding bonds, waiting for safer times before investing in equities, have given up waiting, attracted by the sustained rally and the revival of growth in the US. This momentum has the attraction of offering quick rewards, but it also presents the danger of some sudden setbacks for which there are plenty of potential triggers. Amongst these, however, it is difficult to guess which might have the weight to significantly damage sentiment. What the central bankers still worry about the most is probably deflation. What might be the most hazardous development for investors would be a significant rise in core-Eurozone, UK or US bond rates and it is noteworthy that the twenty-year-plus bull market in these government bonds looks like it has finally peaked, or is in the process of peaking.

In the UK it appears that, for all the political rhetoric over austerity and growth, there is in reality very little room for manoeuvre. Any Chancellor must appear to be prudent because, if bond rates rise sharply, a destructive and self-feeding crisis would rapidly ensue, which would then lead to enforced spending cuts. However, he or she will also be well-briefed on the so-called "Paradox of Thrift", which is the phenomenon whereby spending cuts reduce overall income in the economy and therefore do not generally cause the budget deficit to shrink as government revenues fall at least as fast as the spending does. In other words, whoever is in charge, the tightrope being walked requires there to be a convincing impression of austerity and budgetary responsibility, combined with minimal cuts in reality. Because this leaves inflation as the only reliable tool for dealing with the high level of debt and the budget deficit, it also requires a stated aim to keep inflation low (therefore not causing bond yields to rise), whilst all the time hoping it will come out as much above target as possible. We therefore expect UK fiscal policy to remain broadly unchanged from its current course and inflation to remain at the high end of expectations.

Dr Paul Jourdan, Douglas Lawson and David Stevenson
Amati Global Investors

15 May 2013

Dr Paul Jourdan
Founder and CEO
Amati Global Investors

Douglas Lawson
Founder and Director
Amati Global Investors

David Stevenson
Fund Manager

Dr Paul Jourdan

Paul Jourdan is an award-winning fund manager with a strong track record in small cap investment. He co-founded Amati Global Investors following the management buyout of Noble Fund Managers from Noble Group in January 2010. He had joined Noble Fund Managers in 2007 as Head of Equities. He moved to Edinburgh in 1998, joining Stewart Ivory to work on UK, emerging market, and global equities. In 2000 Stewart Ivory was taken over by Colonial First State (subsequently First State Investments). From September 2000 Paul became manager of what is now TB Amati UK Smaller Companies Fund, winning several awards, more recently the Growth Company Investors "Small Cap Fund of the Year Award 2011", and the "Lipper Best UK Small and Mid-Cap Fund 2012". In November 2004 he was appointed Head of UK Equities at First State. In early 2005 he launched what is now Amati VCT plc and has also managed Amati VCT 2 since the investment management contract moved to Amati Global Investors in 2010. Prior to 1998 Paul worked as a professional violinist, including a four year period with the City of Birmingham Symphony Orchestra. He currently serves as a director of Hebrides Ensemble and of Sistema Scotland, and also as a Governor of the Royal Conservatoire of Scotland. He is a director of Amati Global Investors Limited and he also serves as a director of Fox Marble Holdings plc in which Amati VCT and Amati VCT 2 both hold an investment.

Douglas Lawson

Douglas Lawson co-founded Amati Global Investors following the management buyout of Noble Fund Managers from Noble Group in January 2010. Prior to this he worked in corporate finance and private equity, initially as an associate focusing on middle market UK private equity and listed company M&A at British Linen Advisers, and latterly as an investment manager in the private equity team at Noble. Douglas has co-managed the TB Amati UK Smaller Companies Fund since 2009, winning the Growth Company Investors "Small Cap Fund of the Year Award 2011", as well as the "Lipper Best UK Small and Mid-Cap Fund 2012." He has also been co-manager of Amati VCT since 2009 and Amati VCT 2 since the investment management contract moved to Amati Global Investors in 2010. Douglas started his career at Ernst & Young in London, where he qualified as a Chartered Accountant in 2002. He serves as a director of Amati Global Investors Limited and Polyhedra Group plc, in which Amati VCT and Amati VCT 2 both hold an investment.

David Stevenson

David Stevenson joined Amati in February 2012. Prior to this he was a partner with investment boutique Cartesian Capital, which managed a range of retail and institutional UK equity funds in long only and long/short strategies. David co-founded Cartesian in 2005, and saw growth in client assets to a peak of £600m. Previously he was Assistant Director at SVM, where he also managed equity products including the UK Opportunities small/midcap fund which was ranked top decile amongst peers for the period from inception to late 2005. David started his career at KPMG where he qualified as a Chartered Accountant. He latterly specialised in corporate finance, before moving into private equity with Dunedin Fund Managers.

INVESTMENT PORTFOLIO

as at 28 February 2013

FTSE Sector	Number of shares	Book cost £'000	Valuation £'000	Fund %	% of shares in issue
Amerisur Resources plc[@]	815,000	349	391	1.2	0.1
Egdon Resources plc[†@]	2,354,940	295	200	0.7	1.8
MyCelx Technologies Corporation[*@]	242,000	508	617	1.9	2.6
Providence Resources plc[@]	46,587	327	294	0.9	0.1
Oil & Gas		**1,479**	**1,502**	**4.7**	
Fox Marble Holdings plc[*@]	2,440,000	488	479	1.5	2.3
Fox Marble Holdings plc 8% Convertible Loan Series[*#@]	551,700	552	573	1.8	52.1
Hardide plc[*]	5,200,000	92	81	0.3	0.5
Hardide plc 8% Convertible Loan Stock 2014[*#]	633,000	633	2,096	6.5	100.0[**]
Hardide plc 8% Loan Stock[#]	101,280	101	98	0.3	100.0[**]
TMO Renewables Limited[*#]	972,600	296	-	-	0.8
TMO Renewables Limited Loan Stock[*#]	300,000	300	266	0.8	100.0[**]
Vitec Global Limited[*#]	300,000	300	-	-	3.2
Basic materials		**2,762**	**3,593**	**11.2**	
Bglobal plc[*@]	1,075,883	409	108	0.3	1.0
Corac Group plc[*@]	2,092,038	314	293	0.9	0.7
Croma Security Solutions Group plc[*]	413,333	335	129	0.4	2.9
Judges Scientific plc[†@]	47,697	286	534	1.7	0.9
Kennedy Ventures plc[*]	21,500	172	1	-	0.1
Microsaic Systems plc[†@]	1,287,172	412	518	1.6	3.0
Polyhedra Group plc[*#@]	1,133,956	340	340	1.1	1.4
Polyhedra Group plc 8% Convertible Loan Stock[*#@]	1,046,728	1,047	1,044	3.2	26.2
Sabien Technology Group plc[†@]	2,431,508	636	699	2.2	7.7
SKIL Ports & Logistics Limited[@]	198,788	443	271	0.8	0.5
Sprue Aegis plc[†]	801,000	137	505	1.6	2.1
Universe Group plc[*@]	13,391,086	308	535	1.7	7.1
Vianet Group plc[*@]	722,773	899	703	2.2	2.6
Industrials		**5,738**	**5,680**	**17.7**	
Asian Citrus Holdings Limited[@]	3,000,000	1,382	967	3.0	0.2
China Food Company plc 15% Convertible Loan Note[#@]	876	876	993	3.1	19.8[**]
Sorbic International plc[@]	239,061	26	24	0.1	0.5
Sorbic International plc 10% Convertible Loan Note[#@]	474	474	459	1.4	18.5[**]
Consumer goods		**2,758**	**2,443**	**7.6**	

FTSE Sector	Number of shares	Book cost £'000	Valuation £'000	Fund %	% of shares in issue
Anpario plc[†@]	788,276	632	1,007	3.1	4.0
Deltex Medical Group plc[*@]	1,211,958	252	213	0.7	0.7
Deltex Medical Group plc Guaranteed Unsecured Convertible Loan Note[†#]	1,000,100	1,000	1,425	4.4	100.0[**]
Futura Medical plc[*@]	474,778	321	310	1.0	0.6
Sinclair IS Pharma plc[*@]	1,638,787	442	428	1.3	0.4
Tristel plc[*@]	1,265,924	711	288	0.9	3.2
Health care		**3,358**	**3,671**	**11.4**	
Dignity plc[@]	9,890	105	126	0.4	0.0
Entertainment One Limited[@]	238,000	323	442	1.4	0.1
Expansys plc[*@]	790,667	430	7	-	0.1
Music Festivals plc[*#@]	112,781	73	-	-	0.8
Music Festivals plc 8% Convertible Loan Note 2016[*#@]	660,000	660	-	-	22.0[**]
TLA Worldwide plc[†@]	3,294,947	662	733	2.3	3.8
Consumer services		**2,253**	**1,308**	**4.1**	
Transactions Solutions International Limited	14,245,000	350	38	0.1	0.8
Utilities		**350**	**38**	**0.1**	
Belvoir Lettings plc[†@]	625,000	469	867	2.7	3.0
Brooks Macdonald Group plc[@]	20,575	239	270	0.8	0.2
Fulcrum Utility Services Limited[*@]	2,346,839	253	323	1.0	1.5
Invocas Group plc[*#]	368,000	332	36	0.1	1.3
Juridicia Investments Limited[@]	185,180	210	168	0.5	0.2
London Asia Capital plc[#@]	1,580,000	255	62	0.2	0.7
London Capital Group Holdings plc[@]	471,875	594	209	0.7	0.9
Marwyn Value Investors Limited	200,000	200	104	0.3	4.0
Paragon Entertainment Limited[†@]	7,706,000	609	471	1.5	4.8
Quintain Estates & Development plc[@]	665,000	417	459	1.4	0.1
Financials		**3,578**	**2,969**	**9.2**	

FTSE Sector	Number of shares	Book cost £'000	Valuation £'000	Fund %	% of shares in issue
Bango plc*	182,000	78	417	1.3	0.4
Blinkx plc@	830,000	628	757	2.4	0.2
Brady plc†	647,914	331	614	1.9	0.8
Craneware plc†	240,250	334	997	3.1	0.9
FFastFill plc†@	3,555,000	249	693	2.2	0.7
GB Group plc*@	586,677	235	528	1.6	0.5
Ideagen plc†@	2,402,300	456	550	1.7	2.0
IDOX plc†@	4,296,047	341	2,137	6.7	1.2
Rivington Street Holdings plc 0% Loan Stock 30/06/2015	1,353	1	1	-	1.1**
Rivington Street Holdings plc 8% Convertible Unsecured Loan Stock 30/06/2015	21,184	13	13	-	1.1**
Software Radio Technology plc*@	1,950,051	709	414	1.3	1.7
Ubisense Group plc*@	425,114	695	824	2.6	1.9
Vicorp Group plc*#	15,966,954	408	-	-	3.6
Technology		**4,478**	**7,945**	**24.8**	
Total investments		**26,754**	**29,149**	**90.8**	
Net current assets			**2,954**	**9.2**	
Net assets		**26,754**	**32,103**	**100.0**	

* Qualifying holdings.

† Part qualifying holdings.

\# Unquoted holdings.

@ These investments are also held by other funds managed by Amati.

** These figures represent percentage of loan stock held.

All holdings are in ordinary shares unless otherwise stated.

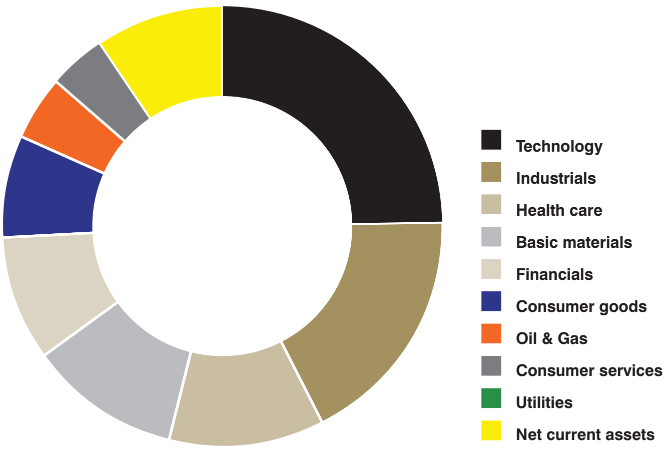
Notes to the above table:

No holding represents more than 8% by value of the Company's portfolio.

As at the year end, the percentage of the Company's assets raised from all share issues held in qualifying holdings for the purposes of Section 274 of the Income and Corporation Taxes Act 2007 is 80.5%.

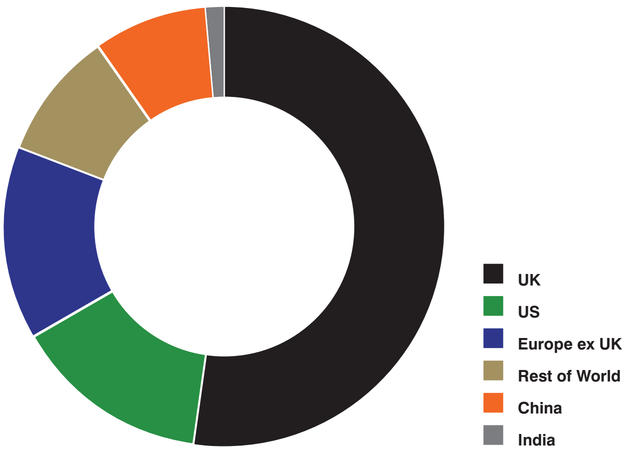
Sector Allocation as at 28 February 2013

FTSE Sector	Fund %
Technology	24.8
Industrials	17.7
Health care	11.4
Basic materials	11.2
Financials	9.2
Consumer goods	7.6
Oil & Gas	4.7
Consumer services	4.1
Utilities	0.1
Net current assets	9.2
	100.0



Geographical Exposure as at 28 February 2013

Region	Fund %
UK	52.5
US	14.4
Europe ex UK	14.2
Rest of World	9.3
China	8.4
India	1.2



Source: Amati Global Investors. Geographical exposure calculated by reference to the last published annual report and the weighted average market capitalisation of each portfolio constituent.

TOP TEN INVESTMENTS
as at 28 February 2013

Hardide plc

Sector	Basic materials		
Market capitalisation	£16m	Year to 30 September 2012	£ million
Cost	£826,000	Profit before tax	0.3
Valuation	£2,275,000	Profit after tax	0.3
Valuation basis	Bid price (ord shares) Discounted cash Flow/ Black Scholes (convertible loan)	Net assets	1.1
Income recognised in year	£72,000		

Hardide Coatings is the leading global innovator and developer of advanced Tungsten Carbide based metal coatings for internal and external surfaces. The company was formed in 2000 to develop and commercialise the patented Hardide coating technology. In 2003, the group headquarters and UK manufacturing facility was established in Bicester, Oxfordshire. From this location, the group serves customers around the world including the UK, Europe, USA and Canada.

IDOX plc

Sector	Technology		
Market capitalisation	£173m	Year ended 31 October 2012	£ million
Cost	£341,000	Profit before tax	6.9
Valuation	£2,137,000	Profit after tax	6.7
Valuation basis	Bid price	Net assets	38.9
Income recognised in year	£27,000		

IDOX is a leading provider of software and services to the UK public sector. It is the leading applications provider to local government for core functions relating to land, people and property, for example planning systems and election management software. Over 90% of UK local authorities are customers of IDOX. The group's products enable local authorities to manage information, knowledge, documents and content. The acquisition of McLaren Software, which provides document management applications to the oil and gas, mining, utilities, pharmaceuticals and transport sectors, was one of a series of acquisitions aimed at diversifying away from the company's reliance on the UK public sector.

Deltex Medical Group plc

Sector	Health care		
Market capitalisation	£29m	Year ended 31 December 2012	£ million
Cost	£1,252,000	Loss before tax	(2.2)
Valuation	£1,638,000	Loss after tax	(2.1)
Valuation basis	Bid price (ord shares) Discounted cash Flow/ Black Scholes (convertible loan)	Net assets	2.1
Income recognised in year	£80,000		

Operating mainly in the UK, with subsidiaries in the USA and Spain, Deltex Medical manufactures and markets the CardioQ–ODM™. Deltex Medical's CardioQ–ODM oesophageal Doppler monitor ("ODM") changes the way doctors can care for patients having major surgery or in intensive care. ODM is the only technology to measure blood flows in the central circulation; it is highly sensitive to changes in flow and measures them immediately and accurately. ODM is simple to use and enables doctors to intervene quickly and safely based on small changes in circulating blood volume and so avoid the dangers of reduced oxygen delivery. ODM-guided fluid management is a cornerstone of Enhanced Recovery, delivering better quality, more cost effective care as it means patients recover from their surgery faster and leave hospital sooner and in better health than they otherwise would do. Having established a substantial high quality evidence base supporting wide-scale use of its products on both clinical and economic grounds, Deltex Medical is working with leading hospitals around the world to introduce ODM-guided fluid management into routine use.

Polyhedra Group plc

Sector	Industrials		
Market capitalisation	£25.2m	Year to 30 November 2011	£
Cost	£1,387,000	Loss before tax	(1,572)
Valuation	£1,384,000	Loss after tax	(1,572)
Valuation basis	Cost price (ord shares) Discounted cash Flow/ Black Scholes (convertible loan)	Net liabilities	(108,428)
Income recognised in year	£48,000		

Polyhedra, formerly EcoData, is a private company which provides the pharmaceutical supply chain with the collection, audit and safe disposal of expired and unused products. Polyhedra operates in an increasingly regulated industry with high barriers to entry, and is the only company in Europe to comply fully with EU directives on the secure disposal of pharmaceutical products. The company intends to list on the AIM market in due course, with a view to rolling out its service offering in the UK and Germany.

Fox Marble Holdings plc

Sector	Basic materials		
Market capitalisation	£21m	Year to 31 December 2012	€ million
Cost	£1,040,000	Loss before tax	(7.4)
Valuation	£1,052,000	Loss after tax	(7.4)
Valuation basis	Bid price (ord shares) Discounted cash Flow/ Black Scholes (convertible loan)	Net assets	6.7
Income recognised in year	£22,000		

Fox Marble is a decorative stone extraction company operating in Kosovo, with headquarters in the United Kingdom. The company has extraction licenses for five high quality marble quarries in an area with world-class marble reserves which are largely unexploited. Production has already begun at the Rahovek quarry, with the first trial blocks already shipped to Italy for cutting and polishing.

Anpario plc

Sector	Health care		
Market capitalisation	£25m	Year to 31 December 2012	£ million
Cost	£632,000	Profit before tax	1.5
Valuation	£1,007,000	Profit after tax	2.1
Valuation basis	Bid price	Net assets	17.9
Income recognised in year	£29,000		

Anpario plc is a leader in the manufacturing and marketing of high performance natural feed additives for global agricultural and aquaculture markets with products which improve the health and output of animals, thereby increasing profits for the farmer. The company is positioned to benefit from the trends in growth of the world's population, the increasing demand for meat and fish protein in developing countries and the tightening of global regulation which favours more natural feed additive solutions. Their strong global brands, which include Kiotechagil and Optivite, trade in over 70 countries using a combination of distributors, joint ventures and wholly owned subsidiaries backed up by a centralised manufacturing and research and development centre based in the United Kingdom.

Craneware plc

Sector	Technology		
Market capitalisation	£112m	6 months to 31 December 2012	$ million
Cost	£334,000	Profit before tax	4.5
Valuation	£997,000	Profit after tax	3.3
Valuation basis	Bid price	Net assets	38.4
Income recognised in year	£25,000		

Craneware, Inc. is a leading supplier of business intelligence and revenue cycle software that provides clients with chargemaster management software and products designed to optimize legitimate reimbursements and assist in managing the revenue cycle through better information, workflow, pricing strategy, capture of lost revenue and best practice modelling. Headquartered in Scotland with offices across the US, Craneware delivers unparalleled solutions to the problems facing healthcare financial managers every day.

China Food Company plc

Sector	Consumer goods		
Market capitalisation	£14m	6 months to 30 June 2012	£ million
Cost	£876,000	Loss before tax	(3.4)
Valuation	£993,000	Loss after tax	(2.8)
Valuation basis	Bid price Discounted cash Flow/ Black Scholes (convertible loan)	Net assets	35.8
Income recognised in year	£nil		

China Food Company ("CFC") is based in Weifang and Shou Guang, Shandong province in China and produces and distributes soya sauce and other condiments together with animal feed to all of Shandong (population 94 million) and the nearby provinces. The company completed the construction of a modern soya sauce factory in the nearby city of Shou Guang in May 2010. Production at the new 266,666 square metre soya sauce facility has now commenced and will increase the Company's condiments production by 50,000 tonnes.

Asian Citrus Holdings Limited

Sector	Consumer goods		
Market capitalisation	£396m	6 months to 31 December 2012	£ million
Cost	£1,382,000	Profit before tax	21.7
Valuation	£967,000	Profit after tax	21.1
Valuation basis	Bid price	Net assets	830.3
Income recognised in year	£54,000		

Asian Citrus is the largest orange plantation owner and operator in China. The company has three plantations occupying a total area of around 103 square kilometres with 3.9 million planted trees. The Hepu Plantation in Guangxi is operating at full maturity, the Xinfeng Plantation in Jiangxi Province is approaching full maturity and the first harvest at a third plantation in Hunan province is expected to be in 2014. In 2010 Asian Citrus expanded into the concentrated juice market with the acquisition of a 92% interest in Beihai Perfuming Garden Juice Company and, in addition to the two existing production facilities in Beihai city and Hepu county, a third facility is expected to become operational in the first quarter of 2013.

Belvoir Lettings plc

Sector	Financials		
Market capitalisation	£29m	Year to 31 December 2012	£ million
Cost	£469,000	Profit before tax	1.4
Valuation	£867,000	Profit after tax	1.2
Valuation basis	Bid price	Net assets	2.3
Income recognised in year	£18,000		

Belvoir Lettings is a specialist residential lettings franchise in the UK. The franchise model is highly cash generative and Belvoir is expanding its portfolio and gaining market share in a sector that is growing rapidly on the back of the property downturn and tighter restrictions on mortgage lending. Belvoir added six new franchisees to the network during the year, bringing the total to 142 letting agents.

Bid prices are based on Daily Official List ("DOL") closing bid prices. The DOL is a daily publication of official quotations for all securities traded on the London Stock Exchange.

BOARD OF DIRECTORS

Simon Miller

Simon Miller is Chairman of the Company. He is also chairman of Dunedin LLP, Artemis Alpha Trust plc, Blackrock North American Income Trust plc and chairman of Brewin Dolphin Holdings PLC. He has considerable experience of closed-end funds and the private equity industry. He has been a director of the fund since its inception in 2005.

Peter Lawrence

Peter Lawrence is chairman of ECO Animal Health Group plc, which is traded on AIM. In 1972 he set up this company, which has experienced considerable growth and made several acquisitions and disposals since then. As a director of Higher Nature and Anpario plc, both VCT backed companies, he has an in-depth understanding of the typical operational and strategic issues facing the type of investees within the portfolio of Amati VCT. In 2003 he became "entrepreneur of the year" selected from over 700 AIM companies. He is also chairman of Baronsmead VCT plc. He has been a director of the fund since its inception in 2005.

Charles Pinney

Charles Pinney is chairman of ProVen Health VCT plc and a director of Baronsmead VCT 5 plc. He was, from 1994 until 2003, a director of Barclays Private Bank Limited with overall responsibility for the operations of the investment department. He was managing director of BZW Portfolio Management Limited. From 2003 to 2009 he was a consultant to Rathbones Investment Management. He is a fellow of both the Association of Chartered Certified Accountants and the Chartered Institute for Securities & Investment and is a former director of APCIMS (Association of Private Client Investment Managers and Stockbrokers). He has been a director of the fund since its inception in 2005.

Brian Scouler

Brian Scouler spent 25 years in Private Equity with Charterhouse, Royal Bank of Scotland and Dunedin. He has wide experience of buying and selling private companies and investment portfolio management, sitting on numerous investee company boards. He was formerly manager of a quoted investment trust and a member of the steering committee of LPEQ, the listed private equity group. He is a chartered accountant. He was appointed a director of the fund in October 2011.

The directors submit their Annual Report and Financial Statements on the affairs of the Company for the year ended 28 February 2013. The Statement of Corporate Governance on pages 28 to 32 forms part of the Directors' Report.

Results and Dividends

The total loss on ordinary activities after taxation for the year attributable to shareholders was £750,000 equivalent to a loss of 1.65p per share (29 February 2012: loss of £3,152,000, equivalent to a loss of 7.50p per share).

The board is recommending a final dividend of 3.0p per share for the year ended 28 February 2013 payable on 12 August 2013 to shareholders on the register at 19 July 2013. An interim dividend of 2.0p per share was paid on 7 December 2012.

A review of the Company's performance during the financial year, the position of the Company at the year end and the outlook for the coming year is contained within the Chairman's Statement on pages 3 and 4.

A graph of the performance of the growth of the Company's net asset value total return (assuming dividends re-invested) compared with the FTSE AIM All-Share Total Return Index is shown on page 1.

Issue and Buy Back of Shares

During the year 1,430,388 shares in the Company were bought back as detailed below:

Date	No of shares purchased	Price per share	% of issued share capital 29/02/12
9 March 2012	16,394	67.8p	0.04
16 March 2012	37,303	68.0p	0.09
23 March 2012	48,127	69.5p	0.11
23 March 2012	297,458	76.9p	0.69
3 April 2012	14,078	69.1p	0.03
4 April 2012	421,629	77.0p	0.97
20 April 2012	29,799	69.5p	0.07
8 May 2012	22,705	69.0p	0.05
18 May 2012	71,982	73.1p	0.17
25 May 2012	5,004	65.3p	0.01
1 June 2012	13,132	65.3p	0.03
15 June 2012	23,739	65.0p	0.05
22 June 2012	85,712	65.8p	0.20
29 June 2012	16,020	65.8p	0.04
16 July 2012	27,000	65.8p	0.06
20 July 2012	13,312	62.0p	0.03
17 August 2012	13,576	61.0p	0.03
24 August 2012	13,298	60.5p	0.03
14 September 2012	14,489	61.5p	0.03
14 September 2012	15,808	61.3p	0.04
21 September 2012	12,093	62.3p	0.03
5 October 2012	27,725	62.3p	0.06
15 October 2012	47,186	68.9p	0.11
29 October 2012	38,000	63.5p	0.09
9 November 2012	11,641	61.5p	0.03
30 November 2012	3,408	63.0p	0.01
11 January 2013	13,817	63.0p	0.03
25 January 2013	17,753	63.0p	0.04
8 February 2013	21,500	64.3p	0.05
18 February 2013	13,300	65.5p	0.03
22 February 2013	23,400	65.5p	0.05

All of the above shares were cancelled after purchase. The purpose of the share buy backs was to satisfy demand from those shareholders who sought to sell their shares during the year, given that there is a very limited secondary market for shares in Venture Capital Trusts generally. It remains the board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the Company's interest including the maintenance of sufficient resources for investment in new and existing investee companies and the continued payment of dividends to shareholders. At 28 February 2013 authority remained for the Company to buy back 6,397,790 shares.

During the year 4,198,791 shares in the Company were allotted as detailed below:

Date	No of shares allotted	Price per share	% of issued share capital 29/02/12
26 March 2012	1,017,166	81.7p	2.34
5 April 2012	1,442,165	81.8p	3.32
21 May 2012	200,373	77.7p	0.46
16 July 2012	269,797	76.1p	0.62
14 August 2012 (DRIS)	508,705	67.9p	1.17
16 October 2012	415,464	73.3p	0.96
7 December 2012 (DRIS)	345,121	66.9p	0.80

Business Review

The Business Review has been prepared in accordance with the requirements of Section 417 of the Companies Act 2006 and best practice. The purpose of this review is to provide shareholders with a summary of the business objectives of the Company, the board's strategy to achieve those objectives, the risks faced, the regulatory environment and the key performance indicators used to measure performance.

Key Performance Indicators

The board monitors on a regular basis a number of key performance indicators, the main ones being:

- Net asset value and total return to shareholders (the aggregate of net asset value and cumulative dividends paid to shareholders). See graph on page 1.
- Dividend distributions. See table of investor returns on page 2.
- Share price.
- Performance versus the FTSE AIM All-Share Total Return Index. See graph on page 1.

Principal Activity and Status

The Company is registered as a public limited company under the Companies Act 2006 (Registration number SC278722 Scotland). The directors have managed and intend to continue to manage the Company's affairs in such a manner as to comply with section 274 of the Income Tax Act 2007 and it has received full approval as a Venture Capital Trust from HM Revenue & Customs for the year ended 29 February 2012. A review of the Company's business during the year is contained in the Chairman's Statement and Fund Manager's Review.

Strategy for Achieving Objectives

Amati VCT plc is a tax efficient Venture Capital Trust listed on the London Stock Exchange. The Company is managed in order that shareholders may benefit from the potentially substantial tax reliefs available to VCTs.

Investment Objective

The objective of the Company is to provide an attractive return to shareholders. The Company generates tax-free capital gains and income by building and maintaining a well-balanced portfolio of qualifying investments for the purposes of the tax legislation under which the Company operates. The qualifying investments are predominantly in AIM-traded companies or companies to be traded on AIM. The Company is managed as a VCT in order that shareholders may benefit from the tax reliefs available.

Investment Policy

The investment policy of the Company aims to generate returns on investors' funds through investment primarily in AIM-traded companies whilst mitigating risk appropriately within the framework of the structural requirements imposed on all VCTs.

Risk Diversification

Portfolio risk can generally be mitigated through appropriate diversification of holdings within the relevant portfolio. As at 28 February 2013 the Company held investments in 56 companies.

The Manager may use exchange-traded or over-the-counter derivatives with a view to reducing overall market risk in the portfolio as a whole. The Manager shall only seek to hedge a limited amount of market risk and shall always be covered by the assets of the portfolio. The use of derivatives is on a strictly controlled basis only and is part of a total risk mitigation exercise, not a separate investment policy. The Company's overriding investment principle in relation to the use of derivatives is to seek to reduce any potential capital loss in the equity portions of the qualifying and non-qualifying investment portfolios in a falling market.

Asset Allocation

The Manager intends that, by the date from which all funds raised are required to meet the VCT qualifying rules, the Company's investment profile (as defined by the valuation methodology set out in sections 278-9 of the Income Tax Act 2007 in which assets are valued on the basis of the last purchase price rather than by market price) will be approximately:

Between 70% and 85% in qualifying investments, whether equity or non-equity securities in (a) companies traded on AIM or on ISDX, (b) companies likely to seek a quotation on AIM or on ISDX or (c) likely to be the subject of a trade sale within a 24 month period.

Between 0% and 30% in non-qualifying investments in small and mid-sized companies where such companies are either (a) quoted in London, (b) likely to seek a quotation in London within a 24 month period, or (c) likely to be the subject of a trade sale within a 24 month period. Investments may also include derivative instruments.

Between 0% and 30% in cash or cash equivalents (including money market funds) or government or investment grade bonds.

Consistent with the conditions for eligibility as an investment company under the 2006 Act, any holdings by the Company in shares or other securities in a company will not represent more than 15% by value of the Company's investments.

While qualifying investments are being sourced, the assets of the portfolio which are not in qualifying companies will be actively invested by the Manager in a combination of the above (always ensuring that not more than 15% of the Company's funds are invested in any one entity).

As described above, the Manager will also have the facility to seek to reduce market risk from the equity portfolio held by the Company through the use of derivatives. The derivatives used will either be traded on an over-the-counter market or will be exchange-traded. They will be in highly liquid markets bearing a reasonable level of correlation to the FTSE AIM All-Share Total Return index, ensuring that the value is normally transparent and enabling positions to be closed rapidly when needed.

Investment Strategy

Qualifying Investments Strategy

The construction of the portfolio of qualifying investments is driven by the availability of suitable opportunities. The Manager may co-invest in companies in which other funds managed by Amati Global Investors invest, in accordance with the qualifying investments strategy.

The ability of VCTs to mitigate market risk is restricted by the requirement to maintain a minimum of 70% of their assets (as defined by the methodology set out in sections 278-9 of the Income Tax Act 2007) in qualifying investments after an initial three year period. A VCT's ability to invest and mitigate risk is therefore restricted in three important respects:

(i) Qualifying companies are likely to be small, liable to be highly illiquid and their prospects can improve or deteriorate very rapidly. The liquidity risk itself cannot be adequately diversified because larger, more liquid stocks cannot be purchased in the qualifying portion of a VCT's portfolio.

(ii) Qualifying investments have to be purchased as opportunities arise. This is a long-term process, the pace of which cannot be determined solely by the Manager.

(iii) VCTs are less able to respond readily to the changing risk environment in the market as a whole because the ability to sell qualifying investments may be dependent on the opportunity to replace that holding with another qualifying investment, and an appropriate opportunity may not be available at the right time.

The Company seeks to address this issue through the non-qualifying investment strategy set out below. In addition the Company benefits from an existing qualifying investment portfolio of some maturity, in which, due to strong performance, the most successful companies have tended to become the largest holdings.

Non-Qualifying Investments Strategy

While qualifying investments are being sourced, the assets of the portfolio which are not in qualifying companies will be actively invested by the Manager in a combination of the following (although ensuring that no more than 15% of the Company's funds are invested in any one entity):

(i) direct equity and non-equity investments in small mid-sized companies quoted in London or likely to seek a quotation in London within a 24 month period;

(ii) government or investment grade corporate bonds; and

(iii) money market funds.

The Manager seeks to adjust the non-qualifying portfolio to reflect the nature of qualifying investments as they are purchased, such that the portfolio remains well balanced and diversified. If the Manager holds a negative outlook on the equity markets then funds may be invested in cash or bonds as outlined above and, in addition, the Manager may seek to reduce market risk in the equity portfolio with the use of suitable derivative instruments. Asset allocation between these categories will remain flexible.

In relation to the use of derivatives, the directors and the Manager believe that their use under the controlled and prudent parameters which have been put in place in relation to the Company helps to reduce the total risk facing investors in relation to their investments. The Company has made limited use of derivative instruments to date.

The use of derivatives will not prevent the Company from losing money overall in a falling market. However, insofar as derivatives are used, the Manager's objective will be partially to reduce losses and also to provide cash for investment at moments when the market is weak. The Company will only enter into such transactions for the purposes of efficient portfolio management in line with conventional practice.

Strict internal guidelines on the use of derivatives have been put in place by the Manager. Additionally, such derivatives as are used are required to offer both good liquidity and, in the Manager's opinion, reasonable correlation to the AIM market.

VCT Regulation

The Company's investment policy is designed to ensure that it meets the requirements of HM Revenue & Customs to qualify and to maintain approval as a VCT. HM Revenue & Customs VCT regulations state that the Company must, within three years of raising funds, maintain at least 70% by VCT value of its investments in shares or securities comprised in qualifying holdings, of which at least 70% by VCT value must be ordinary shares which carry no preferential rights (for funds raised prior to April 2011 at least 30% by VCT value must be in ordinary shares which carry no preferential rights). In addition, it may not invest more than 15% of its investments in a single company and it must have at least 10% by VCT value of its total investments in any qualifying company in qualifying shares approved by HM Revenue & Customs. To be classed as a VCT qualifying holding, companies in which investments are made must have no more than £15m of gross assets at the time of investment and £16m after investment (previously the limits were £7m and £8m respectively), they must also be carrying on a qualifying trade and satisfy a number of other tests.

EU State Aid approval for VCT tax reliefs was received on 29 April 2009 subject to the following four further changes, which came into force under the Finance Act 2010 from 6 April 2011:

1) Territorial rules were relaxed, such that companies are only required to have a 'permanent establishment' in the UK;
2) 'Enterprises in difficulty' are excluded from qualifying;
3) 70% of qualifying investments have to be invested in ordinary shares (up from 30%); and
4) VCTs are allowed to list on any 'European Regulated Market'.

The Finance Bill 2012 was published on 29 March 2012, and received Royal Assent on 17 July 2012. This Bill included several amendments that have an effect in relation to shares issued on or after 6 April 2012. The amendments changed certain qualifying investment company thresholds, which included:

- the employee limit increased to fewer than 250;
- the threshold of gross assets increased to no more than £15m before investment and £16m immediately thereafter; and
- the maximum annual amount that can be invested in any 12 month period in an individual company in aggregate from EIS, VCT and other state aided risk capital measures is limited to £5m.

The Finance Bill provided that the maximum annual investment limit would be applied to all vintages of VCT funds.

Investment Style

The investment management team follows an active investment process, utilising its research experience and commercial contacts relevant to the UK smaller companies stock markets. Its aim is to find companies which are appropriately financed, well managed and which have a strong business franchise which the Manager believes will enable the Company's earnings to grow faster than the overall economy.

Co-investment Allocation

The Manager acts as fund manager or adviser to one other client with a similar investment mandate to the Company. Investment opportunities identified as suitable for the Company may also be suitable for other clients. As a regulated entity, the Manager has in place procedures by which it ensures compliance with FCA regulations governing equality of treatment for different clients and, subject always to the provisions of these regulations, the Manager seeks to ensure that the Company is not disadvantaged in relation to any other fund or entity managed or advised by the Manager. The Manager's written allocation policy is reviewed at least annually and amended as appropriate.

In managing the portfolio, the Manager may combine orders for the Company with those of its other clients.

Management

The board has delegated the management of the investment portfolio to the Manager and the Manager also provides or procures the provision of company secretarial and administrative services for the Company.

Principal Risks and Uncertainties

The board considers that the Company faces the following major risks and uncertainties:

Venture Capital Trust Approval Risk

The current approval as a VCT allows investors to take advantage of income tax reliefs on initial investment and ongoing tax-free capital gains and dividend income. Failure to meet the qualifying requirements could result in investors losing the income tax relief on initial investment and loss of tax relief on any tax-free income or capital gains received. In addition, failure to meet the qualifying requirements could result in a loss of listing of the shares.

To reduce this risk, the board has appointed the Manager which has significant experience in venture capital trust management, and is used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the board has appointed PricewaterhouseCoopers LLP ("PwC") as taxation adviser to the Company. PwC reports every six months to the board to confirm independently compliance with the venture capital legislation, to highlight areas of risk and to inform on changes in legislation.

Compliance Risk

The Company is listed on the London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares or other penalties under the Companies Act or from financial reporting oversight bodies.

Board members and the Manager have considerable experience of operating at senior levels within quoted businesses. In addition, the board and the Manager receive regular updates on new regulation from the auditors, lawyers and other professional bodies.

Internal Control and Operational Risk

Failures in key controls, within the board, within the Manager's business or within other contracted third parties' businesses could put assets of the Company at risk or result in reduced or inaccurate information being passed to the board or to shareholders. The board seeks to mitigate the internal risks by setting policy, regular reviews of performance, enforcement of contractual obligations and monitoring progress and compliance. Details of the Company's internal controls are on page 31.

Financial Risk

The Company's investment mandate allows for the use of derivatives in order to hedge market risk from the portfolio. While this allows the Manager to rapidly de-gear the portfolio, the derivatives used cannot provide an exact hedge on the portfolio and their use may introduce additional risks into the portfolio.

By its nature, as a VCT, the Company is exposed to market price risk, credit risk, liquidity risk and interest rate risk. The Company's policies for managing these risks are outlined in full in notes 21 to 24 to the financial statements on pages 51 to 53.

The Company is financed through equity.

Economic Risk

Events such as economic recession and movement in interest rates could affect smaller companies' valuations. The Company manages this risk by positioning the portfolio more defensively when the Manager believes that the economy is entering periods of uncertainty.

Reputational Risk

Inadequate or failed controls might result in breaches of regulations or loss of shareholder trust. The audit committee monitors controls as part of the review of the risk register at the audit committee meetings.

Liquidity Risk

The Company's investments may be difficult to realise. The Manager considers the liquidity of potential portfolio companies when making investment decisions.

Market Risk

A substantial portion of the Company's investments are in small AIM traded companies as well as some unquoted companies. By their nature these investments involve a higher degree of risk than investment in larger fully listed companies. These companies tend to have limited product lines and niche markets. They can be reliant on a few key individuals. They can be dependent on securing further financing. In addition, the liquidity of these shares can be low and the share prices volatile.

To reduce the risk, the board places reliance upon the skills and expertise of the Manager and its strong track record for investing in this segment of the market. The Manager seeks to limit these risks through building a highly diversified portfolio with companies in different sectors and markets at different stages of development.

Investments are actively and regularly monitored by the Manager and the board receives detailed reports on each investment as part of the Manager's report at regular board meetings. The board also seeks to mitigate the internal risks by setting policy, regular reviews of performance, enforcement of contractual obligations and monitoring progress and compliance. Details of the Company's internal controls are on page 31.

Directors

The biographies of directors are shown on page 17. The terms of the directors' appointment and replacement are set out in the Statement of Corporate Governance on pages 28 and 29.

The directors who held office during the year and their interests in the shares of the Company (including beneficial and family interests) were:

	28 February 2013 Shares held	29 February 2012 Shares held
Simon Miller	20,793	19,335
Peter Lawrence	195,078	195,078
Charles Pinney	91,035	84,649
Brian Scouler	13,552	-

On 12 March 2013 Peter Lawrence bought 42,402 shares and Brian Scouler bought 14,134 shares in the Company at a price of 73.58p per share. On 26 March 2013 Charles Pinney participated in the enhanced share buyback and re-investment facility and sold 17,451 shares in the Company at a price of 69.49p per share and bought 16,901 shares in the Company at a price of 73.90p per share.

Details of their remuneration are set out in the directors' remuneration report on page 33.

Companies Act 2006 Disclosures

The board recognises the requirement under Section 417(5) of the Act to detail information about environmental matters (including the impact of the Company's business on the environment), any employees of the Company and social and community issues; including information about any policies it has in relation to these matters and effectiveness of these policies. As the Company has no employees or policies in these matters this requirement does not apply.

Share Capital

The Company has an authorised share capital of 75,500,000 ordinary shares of 10p each, of which 46,166,514 were in issue at the year end. The rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House. The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's report and accounts, to attend and speak at general meetings, to appoint proxies and to exercise voting rights. There are no restrictions on the voting rights attaching to the Company's shares or the transfer of securities in the Company.

At a general meeting of the Company held on 7 March 2013 the following resolutions were passed:

Authority to allot shares

The directors were authorised pursuant to Section 551 of the Companies Act 2006 to allot relevant securities up to a maximum aggregate nominal value of £3,500,000. This authority expires on 7 March 2018.

Disapplication of pre-emption rights

The directors were empowered to allot equity securities for cash (further to the authority referred to above) without first offering such securities to existing shareholders in proportion to their shareholdings. This authority expires on 7 March 2014.

Management Agreement

Amati Global Investors is the fund manager ("Manager") to the Company. Under an Investment Management and Administration Agreement ("IMA") dated 3 April 2007 the Manager has agreed to manage the investments and other assets of the Company on a discretionary basis subject to the overall policy of the directors, novated from the agreement that was in place between the Company and First State AIM Investments Limited dated 7 February 2005. The Company will pay to the Manager under the terms of the IMA a quarterly fee of 0.4375% of the net asset value of the Company in arrears. No compensation is payable on termination of the IMA.

It is VCT industry practice to reward exceptional performance of a fund manager by payment to the fund manager of performance fees. A revised performance fee arrangement with the Manager came into effect on 1 March 2008. This did not change the substance of the arrangements, but merely simplified the wording.

The performance fee is calculated at the end of each performance period (each being a period which corresponds to the Company's half yearly financial periods) and becomes payable upon publication of the results of the Company for that performance period. The last period for which a performance fee is payable will be from the penultimate performance fee date to the date of termination of the IMA.

A generic formula is used in order to arrive at the amount of the total performance fee based on the initial subscription price of the relevant shares issued by the Company and the relevant performance hurdles. As at the date of this document there are 21 pools and the formula envisages the creation of further pools, referred to as additional pools. The Ordinary shares issued under a share offer of the Company each form separate pools for this purpose. In addition, shares issued under the Dividend Reinvestment Scheme, and which are to be issued under that scheme in the future, will be treated as separate pools on each date of issue.

For each pool, no performance fee is payable unless the lower of (i) the adjusted NAV per share on the last day of the relevant performance period and (ii) the adjusted NAV per share on the last day of the previous performance period (the "base adjusted NAV per share") is greater than the individual subscription price of that pool (after deducting costs and based on a weighted average of the subscription price under offers with more than one allotment date) plus a return of 8% per annum simple interest.

If the 8% hurdle rate is met, then the amount of the performance fee in respect of each pool is calculated as 20% of the difference between the base adjusted NAV per share and the initial subscription price per share in March 2005 (94.75p), multiplied by 120% (being 113.7p), to reflect the fact that no performance fee is payable on the first 20% of initial performance since inception. This amount is then multiplied by the number of shares in the relevant pool. All previous payments of performance fee are deducted from the amount so calculated to arrive at the actual performance fee payment for the relevant performance period. In addition, investments are valued at mid-market prices for the purposes of calculating the adjusted NAV per share.

The adjusted NAV per share is the NAV per share adjusted to take account of any revenue in the relevant performance period, before any accrual of performance fee and after adding back any performance fees previously paid to the Manager and any dividends paid in the past or payable in respect of that performance period.

It is the board's intention that performance fees are fully allocated to the Company's capital account. No performance fee is due for the year ended 28 February 2013.

Administration Arrangements

Under the IMA, the Manager has also agreed to provide secretarial and administration services for the Company. The Manager has engaged The City Partnership (UK) Limited to act as company secretary and Capita Financial Group plc to act as fund administrator. A fee increased in line with the retail prices index is payable by the Company to the Manager for these services and the current fee is £63,259 per annum. These services are subject to termination by either the Company or the Manager on 12 months' written notice.

Fund Manager's Engagement

The board regularly appraises the performance and effectiveness of the managerial and secretarial arrangements of the Company. As part of this process, the board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually. The existing terms were approved by the board on 22 April 2013.

As part of this review the board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the result achieved to date. As noted in the Chairman's Statement and Fund Manager's Review, the total return of the net asset value of the Company over the year to 28 February 2013 fell by 2.2%, which compares to a fall of 9.5% for the FTSE AIM Total Return Index (income reinvested) over the same period. In line with the Company's objective, the board places great importance on the Manager's ability to deliver long-term performance and notes the Company has outperformed the benchmark for the three and five year periods to 28 February 2013.

Details of the principal investments made by the Company are shown in the portfolio of investments on pages 9 to 11.

The ratio of the Company's expenses for the year ended 28 February 2013 as a proportion of the net assets of the Company was 2.7% (based on the new AIC guidelines for the calculation of ongoing charges).

Supplier Payment Policy

The Company's policy is to pay all suppliers' invoices in accordance with agreed terms. The trade creditors as at 28 February 2013 were £12,000 (29 February 2012: £nil).

VCT Status Adviser

The Company has retained PwC to advise it on compliance with VCT requirements. PwC reviews new investment opportunities, as appropriate, and reviews regularly the investment portfolio of the Company. PwC works closely with the Manager but reports directly to the board.

Auditor

A resolution to re-appoint KPMG Audit Plc as auditor will be proposed at the forthcoming annual general meeting.

Substantial Shareholdings

At the date of this report there was no individual shareholding exceeding 3% of the issued ordinary share capital.

Accountability and audit

The directors' responsibility statement in respect of the financial statements is set out on page 27 of this report. The independent auditor's report is set out on pages 35 and 36 of this report. The directors who were in office on the date of approval of these Financial Statements have confirmed that, as far as they were aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information that has been communicated to the auditors.

Annual General Meeting

The annual general meeting will be held at the offices of Abchurch Communications, 16th Floor, 125 Old Broad Street, London EC2N 1AR on 24 June 2013 at 12 noon. The notice of meeting is set out on pages 54 to 56 of this Annual Report and a proxy form is included. The following denotes the business to take place:

Ordinary resolutions

Resolution 1: Approval of the Annual Report

Shareholders will be asked to receive the directors' report and financial statements for the financial year ended 28 February 2013, together with the independent auditor's report thereon.

Resolution 2: Approval of the Directors' Remuneration Report

Under Regulation 11 and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, the Company is required to produce a directors' remuneration report for each relevant financial year and shareholders are invited to approve that report for the financial year ended 28 February 2013 which is set out in full on pages 33 and 34 of this Annual Report. The directors' remuneration report includes details of the remuneration paid to directors and the Company's remuneration policy for its directors. The vote on this Resolution is advisory and no aspect of an individual director's entitlement to remuneration is conditional upon the passing of this Resolution.

Resolution 3: Approval of a final dividend of 3.0p per share

Shareholders will be asked to approve a final dividend of 3.0p per share payable on 12 August 2013 to shareholders on the register at 19 July 2013.

Resolutions 4 and 5: Re-appointment of auditor

These resolutions provide for the reappointment of KPMG Audit Plc as auditor to the Company to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting at which accounts are laid before the Company and to authorise the directors to fix the auditor's remuneration.

Resolution 6: Re-election of Peter Lawrence

Peter Lawrence will retire and, being eligible, offers himself for re-election.

Resolution 7: Re-election of Charles Pinney

Charles Pinney will retire and, being eligible, offers himself for re-election.

Resolution 8: Re-election of Brian Scouler

Brian Scouler will retire and, being eligible, offers himself for re-election.

Resolution 9: Renewal of the investment management and administration agreement with Amati Global Investors

Shareholders will be asked to approve the renewal of the investment management and administration agreement with Amati Global Investors.

Special Resolutions

Resolution 10: Renewal of authority for directors to disapply pre-emption rights in respect of their authority to allot shares

Shareholders will be asked to renew the directors' authority to disapply pre-emption rights in respect of their authority to allot unissued ordinary shares of the Company up to an aggregate nominal amount of £3,500,000.

If the directors wish to allot any of the unissued ordinary shares for cash they must, in the first instance, offer them to existing shareholders in proportion to their shareholding. There are occasions when the directors will need the flexibility to finance business opportunities by issue of ordinary shares without a pre-emptive offer to existing shareholders. Shareholders last granted such authority to directors to disapply pre-emptive rights at the general meeting of the Company on 7 March 2013. This authority will expire on the earlier of the date of the next annual general meeting of the Company in 2014 and the date which is 15 months after the date on which this resolution is passed.

Resolution 11: Renewal of authority for the Company to purchase its own shares

The directors are aware that there is an illiquid market in the Company's shares. The directors therefore consider that the Company should have the ability to make market purchases of its ordinary shares in the market for cancellation. A special resolution will be proposed at the annual general meeting seeking authority for the Company to purchase up to 14.99% of the issued share capital as at the date of the annual general meeting. This authority will expire on the earlier of the date of the Company's annual general meeting to be held in 2014 and the date which is 15 months after the date on which this resolution is passed. It is the directors' intention to seek to renew this general authority annually, and more frequently if required.

Resolution 12: Renewal of authority for the Company to purchase its own shares under the Company's Enhanced Share Buyback and Re-investment Facility ("ESBRF")

A special resolution will be proposed at the annual general meeting seeking authority for the Company to purchase up to 24.99% of the issued share capital as at the date of the annual general meeting. This authority will expire on the earlier of the date of the Company's annual general meeting to be held in 2014 and the date which is 18 months after the date on which this resolution is passed.

By order of the board

The City Partnership (UK) Limited
Company Secretary

15 May 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Simon Miller
Chairman

15 May 2013

Background

The board of Amati VCT plc has considered the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues which are of specific relevance to the Company.

The board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the UK Corporate Governance Code, the board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

Board of Directors

The Company has a board of four directors, all of whom are independent non-executive directors. The chairman is Simon Miller. Simon Miller is retiring as a director of the Company at the forthcoming Annual General Meeting and does not seek reappointment. Peter Lawrence will be the new chairman of the Company, subject to his re-election by shareholders at the AGM. The board has not appointed a senior independent director as it does not consider it necessary given the small size of the board. Biographical details of all directors are shown on page 17.

Directors' retirement and re-election are subject to the Articles of Association and the AIC Code of Corporate Governance. All directors are subject to re-election by shareholders at the first opportunity after their appointment and to further re-election thereafter at three year intervals. The board has resolved that, in accordance with corporate governance best practice, all Directors will seek reappointment at each annual general meeting. Accordingly, Peter Lawrence, Charles Pinney and Brian Scouler will stand for re-election on an annual basis. As they have acted in the interests of the Company throughout the period of their appointment and demonstrated commitment to their roles the board recommends they be re-elected at the annual general meeting.

No director has a contract of service with the Company. All of the directors have been provided with letters of appointment which are available for inspection by shareholders immediately before and after the Company's annual general meeting.

Directors are provided with key information on the Company's activities including regulatory and statutory requirements and internal controls by the Manager. The Manager, in the absence of explicit instructions from the board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted, where appropriate, in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance. The board has direct access to secretarial advice and compliance services through the company secretary, who is responsible for ensuring that board procedures are followed and applicable procedures complied with.

All directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the AIC Code, the Company has in place directors' and officers' liability insurance. On appointment any new director will be given a comprehensive introduction to the Company's business including meeting the Company's key advisers.

When directors have concerns that cannot be resolved about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in a board minute. On resignation, a director who has any such concerns is encouraged to provide a written statement to the Chairman, for circulation to the board.

The board is responsible to shareholders for the proper management of the Company and meets quarterly. The AIC Code states that the board should have a formal schedule of matters specifically reserved to it for decision, to ensure that it has firm direction and control of the Company. This is achieved by a management agreement between the Company and the Manager, which sets out the matters over which the Manager has authority and the limits above which board approval must be sought. All other matters including strategy, investment and dividend policies, gearing and corporate governance proceedings are reserved for the approval of the board of directors.

All the directors are equally responsible for the proper conduct of the Company's affairs. In addition, the directors are responsible for ensuring that the policies and operations are in the best interests of the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

The chairman and the company secretary establish the agenda for each board meeting. The necessary papers for each meeting are distributed well in advance of each meeting ensuring all directors receive accurate, timely and clear information. A schedule of directors' interests is presented and reviewed at every board meeting and a director who has a conflict of interest relating to the business to be discussed at a board meeting will not take part in the discussion. The company secretary and Manager include any new guidance with regard to changes in VCT regulations and changes in corporate governance at board meetings as appropriate to ensure the directors are kept up to date on financial and industry matters.

Independence of Directors

The board regularly reviews the independence of each director and of the board as a whole. During the year the board considered the independence of the directors and the board believes that each director has demonstrated that he is independent in character and judgment and there are no relationships or circumstances which could affect their objectivity.

Board Performance

The performance evaluation took the form of an open discussion with all directors led by the chairman. Any requests for further training or action were complied with. The non-executive directors evaluated the performance of the chairman and can confirm that they are happy with his performance and with his leadership of the board.

The directors seek to ensure that the board has an appropriate balance of skills, experience and length of service. The biographies of the directors shown on page 17 demonstrate the wide range of investment, commercial and professional experience that they contribute. The size and composition of the board and its committees is considered adequate for the effective governance of the Company.

The directors recognise the value of refreshing of, and succession planning for, company boards and the board's composition is reviewed annually. The board is of the view that length of service does not compromise the independence or contribution of directors of a venture capital trust, where continuity and experience can be a benefit to the board.

Board Committees

Copies of the terms of reference of the Company's board committees are available from the company secretary and can be found on Amati's website: www.amatiglobal.com.

Audit Committee

The audit committee comprises Charles Pinney (chairman), Simon Miller, Peter Lawrence and Brian Scouler. In accordance with the UK Corporate Governance Code the board is satisfied that Charles Pinney has recent and relevant financial experience, he is a fellow of the Association of Chartered Certified Accountants and is a non-executive director of two other VCTs as noted in his biography on page 17.

The audit committee met twice during the year and the audit committee chairman also met privately with the external auditor without the Manager. After each meeting, the chairman of the audit committee reported to the board on the matters discussed, on recommendations and on actions to be taken.

The main activities of the audit committee during the year were:

- reviewing all financial statements released by the Company;
- monitoring the effectiveness of the system of internal controls and risk management;
- approving the external auditor's plan and fees;
- reviewing and monitoring the independence of the external auditor; and
- reviewing the committee's terms of reference.

The audit committee's primary responsibilities are to monitor the integrity of the Company's financial statements and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them and reviewing the Company's financial reporting, internal control and risk management procedures.

The audit committee also has primary responsibility for making recommendations to the board for it to put to shareholders for their approval at the AGM in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor. The audit committee reviews the services, independence and objectivity of the external auditor on an annual basis and recommends the services of KPMG Audit Plc to the shareholders in view of the firm's extensive experience in auditing Venture Capital Trusts.

The audit committee is satisfied that KPMG Audit Plc, the Company's auditor, is independent and that it has adequate policies and safeguards in place to ensure that its objectivity and independence is maintained. The Auditors do not provide any non-audit services to the Company and the audit committee must approve the appointment of the external auditor for any non-audit services.

Remuneration and Management Engagement Committee

The Remuneration and Management Engagement Committee comprises Peter Lawrence (chairman), Simon Miller, Charles Pinney and Brian Scouler.

During the year the remuneration and management engagement committee reviewed the terms of the advisers' contracts, in particular focusing on the performance of the investment manager, terms of the investment management contract and reviewed peer group remuneration in order to make a recommendation to the board about the level of directors' remuneration.

The committee's annual report can be found on pages 33 and 34 of this report.

Nomination Committee

The Nomination Committee comprises Peter Lawrence (chairman), Simon Miller, Charles Pinney and Brian Scouler. In accordance with the AIC Code Peter Lawrence, who is an independent non-executive director, was appointed chairman of the nomination committee.

During the year the nomination committee reviewed the board structure, size and composition with respect to succession planning and approved the directors' re-election at the forthcoming AGM.

The nomination committee has considered the recommendations of the UK Corporate Governance Code concerning gender diversity and welcomes initiatives aimed at increasing diversity generally. The nomination committee believe, however, that all appointments should be made on merit rather than positive discrimination. The nomination committee is clear that maintaining an appropriate balance round the board table through a diverse mix of skills, experience, knowledge and background is of paramount importance and gender diversity is a significant element of this.

Any search for new board candidates is conducted, and appointments made, on merit, against objective selection criteria having due regard, among other things, to the benefits of diversity on the board, including gender.

Board and Committee Meetings

The following table sets out the directors' attendance at full board and committee meetings held during the year ended 28 February 2013.

	Board Meetings		Audit Committee Meetings		Remuneration and Management Engagement Committee meetings		Nomination Committee meetings	
Director	held	attended	held	attended	held	attended	held	attended
Simon Miller	5	5	2	2	1	1	1	1
Peter Lawrence	5	5	2	2	1	1	1	1
Charles Pinney	5	5	2	2	1	1	1	1
Brian Scouler	5	5	2	2	1	1	1	1

The board is in regular contact with the Manager between board meetings.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Shareholders have the opportunity to meet the board at the annual general meeting. All shareholders are welcome to attend the meeting and to ask questions of the directors. The board is also happy to respond to any written queries made by shareholders during the course of the year. All communication from shareholders is recorded and reviewed by the board to ensure that shareholder enquiries are promptly and adequately resolved.

The notice of the annual general meeting accompanies this annual report, which is sent to shareholders. Separate resolutions are proposed for each substantive issue. The board and representatives of the Manager are available to answer any questions shareholders may have.

The Company also communicates with shareholders through annual and half-yearly reports, which appear on the Company's website (http://www.amatiglobal.com/avct_literature.php) and through the interim management statements. The board as a whole approves the terms of the Chairman's Statement and Fund Manager's Review which form part of these reports in order to ensure that they present a balanced and understandable assessment of the Company's position.

Internal Control

The board acknowledges that it is responsible for the Company's internal control systems and for reviewing their effectiveness. In accordance with the AIC Code and the updated Turnbull guidance published by the Financial Reporting Council in 2005, the board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. Internal controls are designed to manage the particular needs of the Company and the risks to which it is exposed. The internal control systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication, and that the assets of the Company are safeguarded. They can by their nature only provide reasonable and not absolute assurance against material misstatement or loss. The financial controls operated by the board include the authorisation of the investment strategy and regular reviews of the results and investment performance.

The board has delegated contractually to third parties, as set out on page 24, the management of the investment portfolio, the custodial services, including the safeguarding of the assets, the day-to-day accounting, company secretarial and administration requirements and registration services.

Each of these contracts was entered into after full and proper consideration by the board of the quality and cost of services offered. The board receives and considers regular reports from the Manager. Ad hoc reports and information are supplied to the board as required. It remains the role of the board to keep under review the terms of the management agreement with the Manager.

An annual review of the control systems is carried out which covers consideration of the key risks in three major areas: corporate strategy and compliance with laws and regulations; financial management and company reporting and relationships with service providers. Each risk is considered with regard to the controls exercised at board level, reporting by service providers and controls relied upon by the board. The system of internal controls is an ongoing mechanism and is effective to the date of this report being issued to shareholders.

Whistle Blowing

The board has considered arrangements by which staff of the Manager or the company secretary may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters. It has concluded that adequate arrangements are in place for proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their respective organisations.

Going Concern

The directors are of the opinion that, at the time of approving the financial statements, the Company has adequate resources to continue in business for the foreseeable future. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and Business Review on pages 18 to 26. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors believe it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Listing Rule Disclosures DTR 7.2.6

The Company has one class of share, ordinary shares, which carry no right to fixed income. Details of the Company's share capital, including the number of shares authorised and allotted and rights attached to such shares are set out in the Directors' Report and Business Review on page 23.

There were no shareholders with a significant holding as at the year end and the date of this report.

The Company may by ordinary resolution appoint any person who is willing to act as a director, either to fill a vacancy or as an additional director. Each director is to be appointed by separate resolution.

The Company may by special resolution make amendments to the Company's Articles of Association,

Introduction

The board has prepared this report in accordance with the requirements of the Companies Act 2006 and The Large and Medium-sized Company and Groups (Accounts and Reports) Regulations 2008. An ordinary resolution for the approval of this report will be put to the members at the forthcoming annual general meeting.

The law requires that the Company's auditor audit certain disclosures. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the Independent Auditor's Report on pages 35 and 36.

Remuneration and Management Engagement Committee

The membership of the remuneration and management engagement committee comprises the non-executive directors. The current members are Peter Lawrence (chairman), Simon Miller, Charles Pinney and Brian Scouler. The secretary to the committee is The City Partnership (UK) Limited which is also the secretary to the Company.

The remuneration and management engagement committee, which is a committee of the board, meets at least annually to consider the directors' remuneration. The secretary provides a comparison of the directors' remuneration with that of venture capital trusts of similar size. This comparison, together with the consideration of any alteration in directors' responsibilities, is used to review whether any change in remuneration is necessary.

Policy on Directors' Fees

The board's policy is that the remuneration of directors should reflect the experience of the board as a whole, be fair and comparable with that of other companies that are similar in size and nature to the Company and have similar objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the directors required to oversee effectively the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the directors and the value and amount of time committed to the Company's affairs. It is the intention of the board that, unless any revision to this policy is deemed necessary, this policy will continue to apply in the forthcoming and subsequent financial years. Following a review of the level of directors' fees for the forthcoming year and taking account of the fees paid to directors of VCTs of a similar size to the Company, it was considered appropriate to increase the directors' fees broadly in line with annual inflation which is in the region of 3.2%.

The fees for the directors are set within maximum limits determined from time to time by the Company in general meeting. At present, the maximum aggregate remuneration is as contained in the Company's Articles, which limit the fees payable to the directors to £100,000 per annum in aggregate. The directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' Service Contracts

No director has a contract of service with the Company. All of the directors have been provided with letters of appointment. The letters of appointment provide that directors are appointed for a period of up to three years and are subject to re-election by shareholders at the first annual general meeting after their appointment. Thereafter they must retire at intervals of no more than three years. Their re-election is subject to shareholder approval. The letters of appointment are available for inspection on request. Any director who has served on the board for more than nine years will submit themselves for re-election annually. There is no period of notice to be given to terminate the letters of appointment and no provision for compensation upon early termination of appointment.

The following table shows, for each director, the original appointment date and the annual general meeting ("AGM") at which they may stand for re-election.

Director	Date of original appointment	Due date for re-election
Simon Miller	24 January 2005	n/a*
Peter Lawrence	24 January 2005	2013 AGM
Charles Pinney	24 January 2005	2013 AGM
Brian Scouler	25 October 2011	2013 AGM

• *Simon Miller is stepping down at the AGM*

Directors' Remuneration (Audited)

Director	2013 £	2012 £
Simon Miller	25,400	24,500
Peter Lawrence †	18,925	18,250
Charles Pinney	18,925	18,250
Brian Scouler	18,925	6,427
	82,175	67,427

† *The emoluments payable to Peter Lawrence are invoiced by and paid to ECO Animal Health Group plc.*

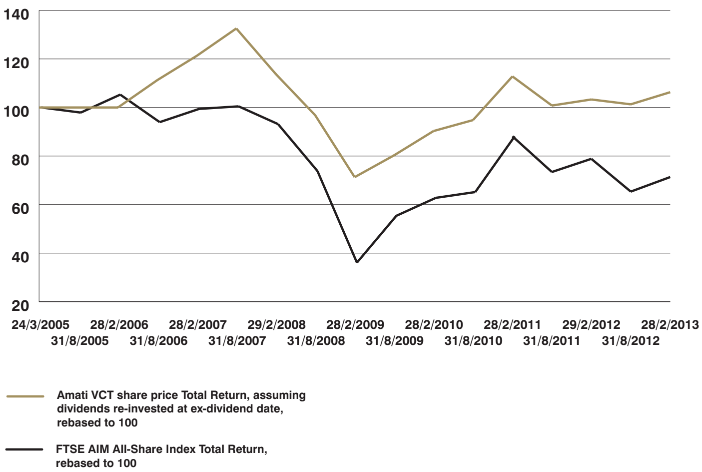
None of the directors received any other remuneration during the year.

No element of the directors' remuneration is performance related. The Company has not awarded any share options or long-term performance incentives to any of the directors.

Company Performance

The board is responsible for the Company's investment strategy. The management of the Company's investment portfolio is delegated to the Manager through an investment management agreement. The board regularly reviews the portfolio and its valuation. Details of the Company's performance during the year are provided in the Chairman's Statement and Fund Manager's Review.

The graph below compares the change in the Company's share price total return to the FTSE AIM All-Share Total Return Index for the period from the launch of the Company. This index was chosen for comparison purposes, as it used for investment performance measurement purposes.



On behalf of the board

Simon Miller
Chairman

15 May 2013

INDEPENDENT AUDITOR'S REPORT

to the Members of Amati VCT plc

We have audited the financial statements of Amati VCT plc for the year ended 28 February 2013 set out on pages 37 to 53. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 28 to 32 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 31, in relation to going concern;
- the part of the Corporate Governance Statement on pages 28 to 32, relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

Catherine Burnet (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
KPMG Audit Plc
Saltire Court, 20 Castle Terrace
Edinburgh
EH1 2EG

15 May 2013

INCOME STATEMENT
for the year ended 28 February 2013

	Note	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Loss on investments	8	-	(451)	(451)	-	(3,034)	(3,034)
Income	2	563	-	563	732	-	732
Investment management fee	3	(139)	(417)	(556)	(143)	(430)	(573)
Other (expenses)/income	4	(309)	3	(306)	(276)	1	(275)
Profit/(loss) on ordinary activities before taxation		115	(865)	(750)	313	(3,463)	(3,150)
Taxation on ordinary activities	5	-	-	-	(2)	-	(2)
Profit/(loss) on ordinary activities after taxation		115	(865)	(750)	311	(3,463)	(3,152)
Return per Ordinary share	7	0.25p	(1.90p)	(1.65p)	0.74p	(8.24p)	(7.50p)
Return per Ordinary share on a diluted basis		0.25p	(1.90p)	(1.65p)	0.74p	(8.24p)	(7.50p)

The total column is the profit and loss account of the Company.

The accompanying notes are an integral part of the statement.

All revenue and capital items derive from continuing operations.

No operations were acquired or discontinued during the year.

There were no other recognised gains or losses in the year.

The notes on pages 41 to 53 form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 28 February 2013

	Note	2013 £'000	2012 £'000
Opening shareholders' funds		33,063	33,997
Loss for the year		(750)	(3,152)
Increase in share capital in issue	12	3,095	5,920
Share buy backs	12	(1,031)	(1,558)
Other costs charged to capital		-	(28)
Dividends paid	6	(2,274)	(2,116)
Closing shareholders' funds		32,103	33,063

The accompanying notes on pages 41 to 53 are an integral part of the statement.

BALANCE SHEET
as at 28 February 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments held at fair value	8	29,149	31,726
Current assets			
Debtors	9	152	139
Cash at bank	14	2,170	803
Investments – liquidity funds		862	1,156
Total current assets		3,184	2,098
Current liabilities			
Creditors: amounts falling due within one year	10	(230)	(761)
Net current assets		2,954	1,337
Total assets less current liabilities		32,103	33,063
Capital and reserves			
Called up share capital*	11	4,616	4,339
Share premium account*	12	2,837	162
Special reserve	12	29,291	32,285
Capital redemption reserve*	12	153	10
Capital reserve	12	(4,909)	(4,044)
Revenue reserve	12	115	311
Equity shareholders' funds		32,103	33,063
Net asset value per share	13	69.54p	76.19p

* *These reserves are not distributable.*

The financial statements on pages 37 to 53 were approved and authorised for issue by the board of directors on 15 May 2013 and were signed on its behalf by

Simon Miller
Chairman

Company Number SC278722

The accompanying notes on pages 41 to 53 are an integral part of the balance sheet.

CASH FLOW STATEMENT

for the year ended 28 February 2013

	Note	2013 £'000	2012 £'000
Operating activities			
Investment income received		577	682
Deposit interest received		2	1
Investment management fees		(561)	(577)
Other operating costs		(297)	(270)
Net cash outflow from operating activities	15	(279)	(164)
Taxation			
Taxation paid		-	(2)
Financial investment			
Purchase of investments		(7,053)	(8,757)
Sale/(purchase) of liquidity funds		294	(1,154)
Disposals of investments		8,623	7,679
Net cash inflow/(outflow) from financial investment		1,864	(2,232)
Dividends			
Payment of dividends		(2,274)	(2,116)
Net cash outflow before financing		(689)	(4,514)
Financing			
Issue of shares		3,253	6,695
Expenses of the issue of shares		(167)	(255)
Share buy backs		(1,031)	(1,558)
Other capital costs		(2)	(26)
Net cash inflow from financing		2,053	4,856
Increase in cash		1,364	342
Reconciliation of net cash flow to movement in net cash			
Net cash at 1 March		803	460
Currency gains		3	1
Net cash at 28/29 February	14	2,170	803
Increase in cash during the year		1,364	342

The accompanying notes on pages 41 to 53 are an integral part of the statement.

1 Accounting Policies

A summary of the principal accounting policies all of which have been consistently applied throughout the year and the preceding year is set out below:

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include a revaluation of fixed asset investments, and in accordance with applicable Accounting Standards and with the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") revised in January 2009.

The financial statements have been prepared on a going concern basis.

Income

Dividends on quoted shares are recognised as income on the date that the related investments are marked ex dividend and where no dividend date is quoted, when the Company's right to receive payment is established.

Income from fixed interest securities, other investment income and deposit income are included on an accruals basis provided there is no reasonable doubt that payment will be received in due course.

Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been prescribed as revenue items except as follows:

Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. Accordingly the investment management fee is currently allocated 25% to revenue and 75% to capital, which reflects the directors' expected long-term view of the nature of the investment returns of the Company.

Performance fees are paid 100% from capital.

Issue Costs

Issue costs are deducted from the share premium account.

Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are only recognised when they arise from timing differences where recovery in the foreseeable future is regarded as probable. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. The tax effect of different items of expenditure is allocated between revenue and capital on the same basis as a particular item to which it relates, using the Company's effective rate of tax, as applied to those items allocated to revenue, for the accounting period.

Investments

Investments are classified at fair value through the income statement. Financial assets designated at fair value through the income statement are measured at subsequent reporting dates at fair value.

Gains and losses arising from changes in fair value are considered to be realised to the extent that they are readily convertible to cash in full at the balance sheet date.

Investments that are listed on London Stock Exchange and traded on AIM or ISDX are valued at bid prices, in accordance with FRS 26.

Unquoted investments are shown at fair value as assessed by the directors in accordance with International Private Equity Venture Capital Valuation ("IPEV") guidelines. Valuations of unquoted investments are reviewed quarterly.

- the shares may be valued by using the most appropriate methodology recommended by the IPEV guidelines, including earnings multiples, net assets, discounted cashflows and industry valuation benchmarks.
- alternatively where a value is indicated by a material arms-length transaction by a third party in the shares of the company the valuation will normally be based on this.

Convertible loan stock instruments are valued using a discounted cash flow calculation of the underlying host loan instrument and by valuing the option at fair value using the Black Scholes option valuation model. The fair value of each option is calculated using a non-stock specific volatility assumption which the Manager believes to be prudent.

Realised and unrealised surpluses or deficits on the disposal of investments, the revaluation of investments and permanent impairments in the value of investments are taken to the capital reserve.

Transaction costs on acquisition are included within the initial book cost and transaction costs on disposal are deducted from the disposal proceeds received.

Financial Instruments

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised on trade date when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on the trade date when the Company is no longer a party to the contractual provisions of the instrument.

Foreign Currency

Foreign currency assets and liabilities are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions during the year are converted into sterling at the rates ruling at the time the transactions are executed. All exchange differences are reflected in the income statement. The functional currency is sterling. This is appropriate for the Company as the majority of the portfolio is invested in sterling, including income generated from investments, and all of the fund's expenses are paid in sterling.

Trade Debtors

Trade debtors are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade debtors are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade debtors is recognised as it accrues.

Trade Creditors

Trade creditors are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

2 Income

	Year to 28 February 2013 £'000	Year to 29 February 2012 £'000
Income:		
Dividends from UK companies	240	263
Dividends from overseas companies	96	138
UK loan stock interest	218	294
UK loan stock interest - reinvested	-	30
Interest from bank deposits	-	1
Interest from liquidity funds	6	6
Interest from deposits	3	-
	563	732

3 Investment Management Fees

The Manager provides investment management and secretarial services to the Company under an investment management agreement. Details of this agreement are given on pages 23 and 24.

Investment management fees for the year were as follows:

	Year to 28 February 2013 £'000	Year to 29 February 2012 £'000
Due to the Manager by the Company at 1 March	145	149
Management fee charge to revenue and capital for the year	556	573
Fees paid to the Manager during the year	(561)	(577)
Due to the Manager by the Company at 28/29 February	140	145

Annual running costs, being the directors' and manager's fees, professional fees and the costs incurred by the Company in the ordinary course of its business (but excluding any performance fee payable to the Manager, irrecoverable VAT and exceptional costs, including wind-up costs), are capped at 3.5% of the Company's average Net Asset Value during the period. Any excess is met by the Manager by way of reduction in future management fees. Detailed terms of the management agreement are shown on pages 23 and 24.

4 Other Expenses

	Year to 28 February 2013 £'000	Year to 29 February 2012 £'000
Directors' remuneration	82	67
Auditor's remuneration	20	23
Legal and professional services and other expenses	144	125
Administration and secretarial services	63	61
	309	276

The Company has no employees.

Details of directors' remuneration are provided in the directors' remuneration report on page 33.

4 Other Expenses (Continued)

Capital other income of £3,000 (29 February 2012: £1,000) relates to the exchange gain on revaluing the bank account.

Auditor's remuneration can be broken down into:

	Year to 28 February 2013 £'000	Year to 29 February 2012 £'000
Audit of these financial statements	20	20
Audit of financial statements prior year over accrual	-	(2)
Amounts receivable by the auditor's and their associates in respect of other services	-	5
	20	23

5 Tax on Ordinary Activities

5a Analysis of charge for the year

	Year to 28 February 2013 £'000	Year to 29 February 2012 £'000
Tax	-	2
Net charge	-	2

5b Factors affecting the tax charge for the year

The tax charge for the year is lower than the standard rate of corporation tax in the UK for a company. The differences are explained below:

	Year to 28 February 2013			Year to 29 February 2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) on ordinary activities before taxation	115	(865)	(750)	313	(3,463)	(3,150)
Theoretical tax at UK corporation tax rate of 24.17% (2012: 26.17%)	28	(209)	(181)	82	(906)	(824)
Effect of:						
Non-taxable losses on capital items	-	109	109	-	794	794
Movement in excess management expenses	53	100	153	21	112	133
Non-taxable dividends	(81)	-	(81)	(105)	-	(105)
Tax charge for the year (note 5a)	-	-	-	(2)	-	(2)

Due to the Company's tax status as an approved VCT, deferred tax has not been provided on any net capital gains arising on the disposal of investments as such gains are not taxable.

No deferred tax asset has been recognised on surplus expenses carried forward as it is not envisaged that any such tax will be recovered in the foreseeable future. The amount of carried forward losses is £4,270,000 (29 February 2012: £3,650,000).

6 Dividends Paid

	2013 £'000	2012 £'000
Final dividend for the year ended 28 February 2011 of 3.0p per Ordinary share – paid on 12 August 2011	-	1,252
Interim dividend for the year ended 29 February 2012 of 2.00p per Ordinary share – paid on 13 February 2012	-	864
Final dividend for the year ended 29 February 2012 of 3.0p per Ordinary share – paid on 14 August 2012	1,356	-
Interim dividend for the year ended 28 February 2013 of 2.0p per Ordinary share – paid on 7 December 2012	918	-
	2,274	2,116

7 Return per Share

The revenue return per share is based on the revenue on ordinary activities after taxation of £115,000 (29 February 2012: £311,000) and on 45,402,313 (29 February 2012: 42,015,583) shares, being the weighted average number of shares in issue during the year. The capital return per share is based on the loss on ordinary activities after taxation of £865,000 (29 February 2012: £3,463,000) and on 45,402,313 (29 February 2012: 42,015,583) shares, being the weighted average number of shares in issue during the year.

8 Investments

	Quoted investments £'000	Unquoted investments £'000	Total £'000
Cost at 1 March 2012	23,156	5,902	29,058
Transfers between quoted and unquoted	153	(153)	-
Purchases	4,618	1,939	6,557
Disposals - proceeds received	(8,634)	(42)	(8,676)
- realised (losses)/gains on disposal	(1,869)	3	(1,866)
- realisation of revaluation movements from previous years	1,683	(2)	1,681
Cost at 28 February 2013	19,107	7,647	26,754
Unrealised gains at 1 March 2012	2,257	411	2,668
Unrealised gains/(losses) on investments during the year	2,075	(667)	1,408
Realisation of revaluation movements from previous years	(1,683)	2	(1,681)
Unrealised gains/(losses) at 28 February 2013	2,649	(254)	2,395
Valuation at 1 March 2012	25,413	6,313	31,726
Valuation at 28 February 2013	21,756	7,393	29,149
Equity shares	21,742	438	22,180
Loan stock	14	6,955	6,969
Total investments at valuation	21,756	7,393	29,149

8 Investments (continued)

	2013 £'000	2012 £'000
Realised losses on disposal	(1,866)	(859)
Realised gains on futures	7	-
Unrealised gains/(losses) on investments during the year	1,408	(2,175)
Net losses on investments	(451)	(3,034)

Transaction Costs

During the year the Company incurred transaction costs of £17,000 (29 February 2012: £27,000) and £24,000 (29 February 2012: £17,000) on purchases and sales of investments respectively. These amounts are included in loss on investments as disclosed in the income statement.

Financial Instruments

The Company's financial instruments comprise equity and fixed interest investments, cash balances and liquid resources including debtors and creditors. The Company holds financial assets in accordance with its investment policy to invest in qualifying investments predominantly in AIM traded companies or companies to be traded on AIM.

Fixed asset investments are valued at fair value. For quoted securities this is the bid price or last traded price. In respect of unquoted investments, these are valued by the directors using rules consistent with International Private Equity and Venture Capital Association ("IPEV") guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet.

The Company's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Company is exposed are market risk, credit risk and liquidity risk. The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below.

In order to provide further information on the valuation techniques used to measure assets carried at fair value, the measurement basis has been categorised into a "fair value hierarchy" as follows:

– **Quoted market prices in active markets – "Level 1"**

  Inputs to Level 1 fair values are quoted prices in active markets for identical assets. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company's investments classified within this category are AIM traded companies and fully listed companies.

– **Valued using models with significant observable market parameters – "Level 2"**

  Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The Company has no holdings classified within this category.

– **Valued using models with significant unobservable market parameters – "Level 3"**

  Inputs to Level 3 fair values are unobservable inputs for the asset. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset. The Company's unquoted equities and loan stock are classified within this category. As explained in note 1, unquoted investments are valued in accordance with the IPEV guidelines.

Financial assets at fair value

At 28 February 2013

	Level 1 £'000	Level 3 £'000	Total £'000
Ordinary shares	21,742	438	22,180
Loan stock investments	-	6,969	6,969
	21,742	7,407	29,149

Level 3 financial assets at fair value

At 28 February 2013

	Ordinary shares £'000	Loan stock investments £'000	Total £'000
Opening balance at 1 March 2012	419	5,908	6,327
Transfers to/(from) Level 3 (see details below)	72	(225)	(153)
Purchases	340	1,599	1,939
Disposals - proceeds	-	(42)	(42)
Realised gains on disposal	1	-	1
Unrealised losses on investments in the year	(394)	(271)	(665)
Closing balance at 28 February 2013	438	6,969	7,407

The following stock moved from Level 1 to Level 3: Music Festival Ordinary shares. The following stock moved from Level 3 to Level 1: Hardide Loan Notes (redemption).

Changing one or more of the valuation inputs to reasonably possible alternative assumptions would result in a difference ranging between -£76k and £389k from the figure reported for all the holdings in Level 3.

Financial assets at fair value

At 29 February 2012

	Level 1 £'000	Level 3 £'000	Total £'000
Ordinary shares	25,399	419	25,818
Loan stock investments	-	5,908	5,908
	25,399	6,327	31,726

8 Investments (continued)

Level 3 financial assets at fair value

At 29 February 2012

	Ordinary shares £'000	Loan stock investments £'000	Total £'000
Opening balance at 1 March 2011	764	5,602	6,366
Transfers from Level 3 (see details below)	(313)	-	(313)
Purchases	-	803	803
Disposals - proceeds	(31)	(60)	(91)
Realised losses on disposal	(556)	(369)	(925)
Unrealised gains/(losses) on investments in the year	555	(68)	487
Closing balance at 29 February 2012	419	5,908	6,327

The following stocks moved from Level 3 to Level 1: Ubisense Group.

Changing the inputs to the valuation models to other reasonable alternative valuation assumptions would result in a difference ranging between -£247k and £41k from the figure reported for all the holdings in Level 3.

9 Debtors

	2013 £'000	2012 £'000
Prepayments and accrued income	97	130
Receivable for investments sold	55	-
Fundraising costs to be recovered from Manager	-	9
	152	139

10 Creditors: Amounts Falling Due Within One Year

	2013 £'000	2012 £'000
Payable for investments bought	1	497
Related party payables (due to Manager)	140	145
Other creditors	89	119
	230	761

11 Called Up Share Capital

Ordinary shares (10p shares)	Number	2013 £'000	Number	2012 £'000
Allotted, issued and fully paid at 1 March	43,398,111	4,339	38,277,684	3,827
Issued during the year	4,198,791	420	7,048,422	705
Repurchase of own shares for cancellation	(1,430,388)	(143)	(1,927,995)	(193)
At 28/29 February	46,166,514	4,616	43,398,111	4,339

The shares issued during the year were Ordinary shares of nominal value 10p each. During the year a total of 1,430,388 Ordinary shares of 10p each were repurchased for cancellation by the Company at an average price of 71.7p per share.

12 Reserves

	Share capital* £'000	Share premium* £'000	Special reserve £'000	Capital redemption reserve* £'000	Capital reserve £'000	Revenue reserve £'000	Total reserves £'000
At 1 March 2012	4,339	162	32,285	10	(4,044)	311	33,063
Shares issued	420	2,833	-	-	-	-	3,253
Share issue expenses	-	(158)	-	-	-	-	(158)
Repurchase of shares	(143)	-	(1,031)	143	-	-	(1,031)
Dividends paid	-	-	(1,963)	-	-	(311)	(2,274)
(Loss)/profit for the year	-	-	-	-	(865)	115	(750)
At 28 February 2013	4,616	2,837	29,291	153	(4,909)	115	32,103

**These reserves are not distributable.*

The capital reserve realised and capital reserve unrealised have been amalgamated under the revised SORP, as there is no requirement to show realised and unrealised separately.

At 28 February 2013, the capital reserve constitutes realised losses of £7,320,000 (29 February 2012: £6,725,000) and unrealised investment holding gains of £2,411,000 (29 February 2012: £2,681,000).

Distributable reserves comprise the special reserve, the revenue reserve and the capital reserve realised (the unrealised is not included as it is a positive balance). At 28 February 2013, the amount of reserves deemed distributable is £22,086,000 (29 February 2012: £25,871,000), a net movement in the year of negative £3,785,000. The net movement is comprised of the movement in the revenue reserve of positive £115,000 and the movement in the realised reserve of negative £595,000, less the repurchase of shares of £1,031,000 and dividends paid of £2,274,000.

A final dividend for the year ended 28 February 2013 of 3.0p per share has been proposed to be paid on 12 August 2013. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting.

13 Net Asset Value per Ordinary Share

The calculation of net asset value per share at 28 February 2013 is based on net assets of £32,103,000 (29 February 2012: £33,063,000) divided by the 46,166,514 (29 February 2012: 43,398,111) shares in issue at the year end.

14 Analysis of Changes In Cash

	2013 £'000	2012 £'000
At 1 March	803	460
Currency gains	3	1
Increase in cash	1,364	342
At 28/29 February	2,170	803

15 Reconciliation of Loss on Ordinary Activities Before Taxation to Net Cash Outflow from Operating Activities

	2013 £'000	2012 £'000
Loss on ordinary activities before taxation	(750)	(3,150)
Net loss on investments	451	3,034
(Decrease)/increase in creditors, excluding corporation tax payable	(15)	8
Decrease in debtors	33	88
Currency gains	(3)	(1)
Interest reinvested	5	(143)
Net cash outflow from operating activities	(279)	(164)

16 Significant Interests

The Company has the following significant interests (amounting to an investment of 3% or more of the equity capital of an undertaking):

	Nominal	% held
Sabien Technology Group plc	2,431,508	7.7
Universe Group plc	13,391,086	7.1
Paragon Entertainment Limited	7,706,000	4.8
Anpario plc	788,276	4.0
Marwyn Value Investors Limited	200,000	4.0
TLA Worldwide plc	3,294,947	3.8
Vicorp Group plc	15,966,954	3.6
Vitec Global Limited	300,000	3.2
Tristel plc	1,265,924	3.2
Microsaic Systems plc	1,287,172	3.0
Belvoir Lettings plc	625,000	3.0

17 Unquoted Investments

During the year the Company made no material disposals of unquoted investments.

During the year ended 28 February 2013, the Company purchased 1,133,956 shares of Polyhedra Group ordinary shares and 1,046,728 units in Polyhedra Group convertible loan stock. The investment costs were £340,000 and £1,047,000 respectively, and the valuation at the year end was £340,000 and £1,044,000. The Company also purchased 551,700 units in Fox Marble Holdings convertible loan series, the investment cost was £551,700.

At 29 February 2012, the Company held 225,000 units of Hardide 8% convertible loan stock that matured during the year & converted into ordinary shares. These converted shares were then sold.

The increase in value of some of the Company's material convertible loan stock holdings is attributable to gains in the share prices of the underlying companies. The effect of a share price rise on a convertible loan is an increase in the value of the conversion option.

18 Post Balance Sheet Events

The following transactions have taken place between 28 February 2013 and the date of this report:

4,609,394 shares were allotted raising £3.3m.

19 Segmental Analysis

The operations of the Company are wholly in the United Kingdom.

20 Related Parties

The Company holds 788,276 shares in Anpario plc, an AIM traded company, of which Mr Peter Lawrence is a non-executive director. Mr Lawrence holds 27,950 shares in Anpario plc in his own name, in addition to 43,478 share options in the same company and was appointed a non-executive director of Anpario plc on 24 August 2005.

The Company holds 3,000,000 shares in Asian Citrus Holdings Limited ("Citrus"). Paul Jourdan holds 160,000 shares in Citrus and Douglas Lawson holds 8,108 shares.

The Company holds 1,133,956 shares and 1,046,728 convertible loan stock units in Polyhedra Group plc, an unlisted company, of which Douglas Lawson is a non-executive director. The Company also holds 2,440,000 shares and 551,700 convertible loan series in Fox Marble Holdings plc, an AIM traded company of which Paul Jourdan is a non-executive director.

The Company retains Amati Global Investors Limited as its Manager. Details of the agreement with the Manager are set out on pages 23 and 24. The number of ordinary shares (all of which are held beneficially) by certain members of the management team of the Manager are:

	28 February 2013 shares held
Paul Jourdan	271,078
Douglas Lawson	11,713

Save as disclosed in this paragraph there is no conflict of interest between the Company, the duties of the directors, the directors of the Manager and their private interests and other duties.

21 Market Risk

Market risk embodies the potential for losses and includes interest rate risk and price risk.

The Company's strategy on the management of investment risk is driven by the Company's investment objective as outlined in the corporate objective on page 1. The management of market risk is part of the investment management process. The portfolio is managed in accordance with policies and procedures in place as described in more detail in the Directors' Report and Business Review on pages 18 to 26, with an awareness of the effects of adverse price movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in unquoted stocks and AIM traded companies, by their nature, involve a higher degree of risk than investments in the main market. Some of that risk can be mitigated by diversifying the portfolio across business sectors and asset classes. The Company's overall market positions are monitored by the board on a quarterly basis.

Details of the Company's investments at the balance sheet date are disclosed in the Investment Portfolio on pages 9 to 11.

Of the Company's investments, 75% are traded on AIM or fully listed (29 February 2012: 80%). A 10% increase in stock prices as at 28 February 2013 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £2,176,000 (29 February 2012: £2,541,000); an equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the year by an equal amount.

21 Market Risk (continued)

Of the Company's investments, 25% are in unquoted companies held at fair value (29 February 2012: 20%). A 10% increase in the valuations of unquoted investments at 28 February 2013 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £739,000 (29 February 2012: £631,000); an equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the year by an equal amount.

22 Interest Rate Risk

Fixed rate

Twelve of the Company's financial assets are interest bearing at a fixed rate (29 February 2012: eleven). The valuation of these loans is based on an assessment of fair value which takes into account current interest rates in its assumptions. As a result, the Company has indirect exposure to fluctuations in the prevailing levels of market interest rates. A change in interest rates would have an impact on the fair values of the loan instruments in the portfolio. The quantum of the impact cannot be directly measured but an indicative range has been set out on page 47 where the impact of adopting different interest rate assumptions (along with other inputs) has been disclosed.

The total current market value of these stocks is £6,969,000, the weighted average interest rate is 7.9% and the average years to maturity is 2 years.

Floating rate

Any cash balances held by the Company are also subject to floating rates. There is some impact on the interest earned on the cash balances held at banks but the impact of a different set of interest rates on the interest income is not significant in the context of the financial statements. The Company has no overdraft facility currently.

The Company received an average interest rate of 0.5% on the Global liquidity fund managed by Deutsche Bank.

23 Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Manager has in place a monitoring procedure in respect of counterparty risk which is revised on an ongoing basis. The carrying amount of financial assets best represents the maximum credit risk exposure at the balance sheet date. At 28 February 2013, the financial assets exposed to credit risk amounted to £152,000 (29 February 2012: £139,000).

Credit risk on the unquoted loan stock held within unlisted investments is considered to be part of market risk.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the high credit quality of the brokers used. The board monitors the quality of service provided by the brokers used to further mitigate this risk.

All the assets of the Company which are traded on AIM are held by Vidacos Nominees Limited, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The board and the Manager monitor the Company's risk by reviewing the custodian's internal control reports as described in the Directors' Report and Business Review on pages 18 to 26.

At 28 February 2013, approximately 25% of the cash held by the Company was held with Citigroup. The remainder of the cash is invested in the UBS Third Party Cash Deposit Service and a Global liquidity fund managed by Deutsche Bank. Bankruptcy or insolvency of any of these institutions may cause the Company's rights with respect to the cash held by them to be delayed or limited. It was considered appropriate to spread this risk by maintaining the cash with more than one institution whilst also mitigating the risk that the Company could breach VCT rules by receiving less than 70% of income from qualifying sources. Any income from the chosen fund is qualifying income for VCT rules purposes. Should the credit quality or the financial position of any of these institutions deteriorate significantly the Company has the ability to move the cash at short notice. Citibank is the main settlement account but cash is transferred into Deutsche Bank when balances are high in Citibank. The cash is transferred back to Citibank to cover trades and payments of expenses.

The Company also has one foreign bank account. Foreign exchange risk is not considered material as volumes on this account are minimal. The closing balance as at 28 February 2013 was $85,000 (29 February 2012: $74,000). The only movement on this account during the year was an opening and subsequent closing of a future.

There were no significant concentrations of credit risk to counterparties at 28 February 2013 or 29 February 2012. No individual investment exceeded 8% of the Company's portfolio at 28 February 2013.

24 Liquidity Risk

The Company's financial instruments include investments in unlisted equity investments which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. The majority of the Company's holdings are in equity investments which are traded on the Alternative Investment Market ("AIM") and the Official List of the London Stock Exchange. A listing on these exchanges provides a company with liquidity in its shares although trading may be infrequent due to the small size of these companies.

The Company's liquidity risk is managed on an ongoing basis by the Manager in accordance with policies and procedures in place as described in the Directors' Report and Business Review on pages 18 to 26. The Company's overall liquidity risks are monitored on a quarterly basis by the board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 28 February 2013, these investments were valued at £3,032,000 (29 February 2012: £1,959,000).

25 Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern;
- to satisfy the relevant HMRC requirements; and
- to provide returns to its shareholders.

As a VCT, the Company must have, within 3 years of raising its capital, at least 70% by value of its investments in VCT qualifying holdings, which are relatively high risk UK smaller companies. In satisfying this requirement, the Company's capital management scope is restricted. The Company does have the option of maintaining or adjusting its capital structure by varying dividends, returns to shareholders, issuing new shares or selling assets to maintain a certain level of liquidity. There has been no change in the objectives, policies or processes for managing capital from the previous year.

Notice is hereby given that the annual general meeting of Amati VCT plc (the "**Company**") will be held on Monday 24 June 2013 at 12 noon at the offices of Abchurch Communications, 16th Floor, 125 Old Broad Street, London EC2N 1AR (the "**Meeting**") for the transaction of the following business:

Ordinary Business

To consider and, if thought fit, to pass the following Resolutions 1 to 9 as Ordinary Resolutions of the Company:

Ordinary Resolutions

1. "To receive and adopt the Directors' Report and financial statements of the Company for the financial year ended 28 February 2013 together with the Independent Auditor's Report thereon."
2. "To approve the Directors' Remuneration Report for the financial year ended 28 February 2013."
3. "To approve a final dividend of 3.0p per share payable on 12 August 2013 to shareholders on the register at 19 July 2013."
4. "To re-appoint KPMG Audit Plc of Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG as auditor of the Company from the conclusion of the Meeting until the conclusion of the next annual general meeting of the Company to be held in 2014 at which financial statements are laid before the Company."
5. "To authorise the directors to fix the remuneration of the auditor."
6. "To re-elect Peter Lawrence as a director of the Company."
7. "To re-elect Charles Pinney as a director of the Company."
8. "To re-elect Brian Scouler, as a director of the Company."
9. "To approve the renewal of the Investment Management and Administration Agreement between the Company and Amati Global Investors."

Special Business

Special Resolutions

To consider, and if thought fit, to pass the following Resolutions as Special Resolutions of the Company:

10. "THAT in substitution for any existing authorities, the directors be and hereby are empowered pursuant to sections 570 and 573 of the 2006 Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning subscribed to it in section 560 of the 2006 Act) for cash pursuant to the authority given in accordance with section 551 of the 2006 Act by the resolution passed at the general meeting on 7 March 2013 as if section 561(1) of the 2006 Act did not apply to any such allotment, up to an aggregate nominal amount of £3,500,000. The authority hereby conferred (unless previously renewed or revoked) by this resolution shall expire on the earlier of the date of the annual general meeting of the Company to be held in 2014 and the date which is 15 months after the date on which this resolution is passed.
11. "THAT, in substitution for existing authorities, the Company be and is hereby empowered to make one or more market purchases within the meaning of Section 701 of CA 2006, of the Ordinary Shares (either for cancellation or for the retention of treasury shares for future re-issue or transfer) provided that:
    (i) the maximum aggregate number of Ordinary Shares authorised to be purchased is such number thereof being 14.99% of the issued ordinary share capital of the Company as at the date of this resolution;
    (ii) the minimum price which may be paid per Ordinary Share is 10p per share, the nominal amount thereof;
    (iii) the maximum price (exclusive of expenses) which may be paid per Ordinary Share is an amount equal to 105% of the average of the middle market quotation of such Ordinary Share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Ordinary Share is purchased;
    (iv) the authority hereby conferred shall expire on the earlier of the annual general meeting of the Company to be held in 2014 and the date which is 18 months after the date on which this Resolution is passed; and
    (v) the Company may make a contract or contracts to purchase its own Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of such Ordinary Shares pursuant to any such contract."
12. "THAT, in addition to the authority set out in resolution 11 above, the Company be and is hereby empowered to

make market purchases within the meaning of Section 701 of CA 2006 of Ordinary Shares for cancellation under the Company's Enhanced Share Buyback and Re-investment Facility ("ESBRF") as described in the circular to shareholders dated 6 February 2013 and provided that:

(i) the maximum aggregate number of Ordinary Shares authorised to be purchased is such number thereof being 24.99% of the issued ordinary share capital of the Company as at the date of this resolution;

(ii) the price which may be paid is a fixed price equal to 99% of the most recently published net asset value per Ordinary Share prior to the date of purchase rounded down to the nearest 0.01p per share (which fixed price shall, for the purposes of section 701(3)(b) of CA 2006 constitute both the maximum and minimum price which may be paid per Ordinary Share);

(iii) the authority hereby conferred shall expire on the earlier of the annual general meeting of the Company to be held in 2014 and the date which is 18 months after the date on which this Resolution is passed; and

(iv) the Company may make a contract to purchase its own Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of such Ordinary Shares pursuant to any such contract."

By order of the board

The City Partnership (UK) Limited
Secretary

Registered office:
Thistle House, 21 Thistle Street
Edinburgh EH2 1DF

15 May 2013

Notes

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.

2. To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 12 noon on 20 June 2013 to The City Partnership (UK) Limited, c/o Share Registrars, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. Completion of the Form of Proxy will not prevent you from attending and voting in person.

3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company on 15 May 2013 (being the last business day prior to the publication of this Notice) shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 48 hours before the time appointed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should photocopy the proxy form. Please indicate in the box next to the proxy holder's name the number of securities in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.

5. A reply paid form of proxy is enclosed with members' copies of this document. To be valid, it should be lodged with the Company's registrars, The City Partnership (UK) Limited, c/o Share Registrars, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL so as to be received not later than 48 hours before the time appointed for the Meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the Meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.

6. As at 15 May 2013 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 48,337,035 shares of 10p each, carrying one vote each at an annual general meeting of the Company. Therefore, the total voting rights in the Company as at 15 May 2013 are 48,337,035.

7. Appointment of a proxy will not preclude a member from subsequently attending, voting and speaking at the Meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

8. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between the Nominated Person and the member by whom he/she was nominated, have a right

to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

9. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

10. The Register of Directors' Interests will be available for inspection at the Meeting.

11. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted);

    - Calling Doreen Nic on 0131 243 7210 or
    - Emailing vct-enquiries@amatiglobal.com

12. You may not use any electronic address provided either in this notice of Meeting or any related documents (including the chairman's letter and proxy form) to communicate with the Company for any purpose other than those expressly stated.

Share Price

The Company's shares are listed on the London Stock Exchange. The mid-price of the Company's shares is given daily in the Financial Times in the Investment Companies section of the London Share Service.

Net Asset Value per Share

The Company's net asset value per share as at 28 February 2013 was 69.5p. The Company normally announces its net asset value on a weekly basis. Net asset value per share information can be found on the Amati Global Investors' website: http://www.amatiglobal.com/avct.php

Dividends

Shareholders who wish to have future dividends reinvested in the Company's shares or who wish to have dividends paid directly into their bank account rather than sent by cheque to their registered address should contact The City Partnership (UK) Limited by telephone on 0131 243 7210 or in writing to The City Partnership (UK) Limited, Thistle House, 21 Thistle Street, Edinburgh EH2 1DF.

Financial Calendar

May 2013	Annual report for the year ended 28 February 2013 to be circulated to shareholders
June 2013	Annual general meeting
July 2013	Interim management statement released
October 2013	Half-yearly Report for the six months ending 31 August 2013 to be circulated to shareholders
January 2014	Interim management statement released
28 February 2014	Year-end

Annual General Meeting

The annual general meeting of the Company will be held on 24 June 2013 at 12 noon at the offices of Abchurch Communications, 16th Floor, 125 Old Broad Street, London EC2N 1AR. The notice of the meeting, together with the enclosed proxy form, is included on pages 54 and 55 of this report. The annual general meeting will include a presentation from the Manager.

CORPORATE INFORMATION

Directors
Simon Miller
Peter Lawrence
Charles Pinney
Brian Scouler

all of:
Thistle House, 21 Thistle Street
Edinburgh
EH2 1DF

Secretary
The City Partnership (UK) Limited
Thistle House, 21 Thistle Street
Edinburgh
EH2 1DF
Telephone: 0131 2437210
Email: vct-enquiries@amatiglobal.com

Fund Manager
Amati Global Investors Limited
18 Charlotte Square
Edinburgh
EH2 4DF

VCT Tax Adviser
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registrar
The City Partnership (UK) Limited
c/o Share Registrars
Suite E, First Floor
9 Lion and Lamb Yard
Farnham, Surrey
GU9 7LL

Auditor
KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Bankers
Citigroup Corporate and Investment Banking
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Solicitors
Nimmo W.S.
8 Walker Street
Edinburgh
EH3 7LH

AMATI VCT PLC – FORM OF PROXY

For the Annual General Meeting on 24 June 2013

I/We

of

being a member of Amati VCT plc hereby appoint (see notes 1 and 2)

of

or failing him/her the Chairman of the meeting to be my/our proxy to vote, on a poll, in my/our name and on my/our behalf at the Annual General Meeting of the Company to be held on 24 June 2013 at 12 noon at the offices of Abchurch Communications, 16th Floor, 125 Old Broad Street, London EC2N 1AR and at any adjournment thereof.

Please indicate by placing an X in this box if this proxy appointment is one of multiple appointments being made (see note 2 below). ☐

Ordinary Business

Ordinary Resolutions

		For	Against	Vote Withheld
1	To receive the Directors' Report and financial statements of the Company for the year ended 28 February 2013 together with the Independent Auditor's Report thereon.	☐	☐	☐
2	To approve the Directors' Remuneration Report for the year ended 28 February 2013.	☐	☐	☐
3	To approve a final dividend of 3.0p per share	☐	☐	☐
4	To re-appoint KPMG Audit Plc as auditor.	☐	☐	☐
5	To authorise the directors to fix the remuneration of the auditor.	☐	☐	☐
6	To re-elect Peter Lawrence as a director of the Company.	☐	☐	☐
7	To re-elect Charles Pinney as a director of the Company.	☐	☐	☐
8	To re-elect Brian Scouler as a director of the Company.	☐	☐	☐
9	To approve the renewal of the Investment Management and Administration agreement between the Company and Amati Global Investors.	☐	☐	☐

Special Business

Special Resolutions

		For	Against	Withheld
10	To renew the directors' authority to disapply statutory pre-emption rights.	☐	☐	☐
11	To authorise the directors to buy back shares.	☐	☐	☐
12	To authorise the directors to buy back shares under the ESBRF.	☐	☐	☐

Please refer to the notes overleaf

Attendance indication

Shareholders who intend to attend the General Meeting are requested to place a tick in the box below in order to assist with administrative arrangements.

I/we intend to attend the Annual General Meeting at the offices of Abchurch Communications, 16th Floor, 125 Old Broad Street, London EC2N 1AR on 24 June 2013 at 12 noon. ☐

Signed: Dated: 2013

Notes relating to Form of Proxy

1. Every member has the right to appoint some other person(s) of his/her choice, who need not be a member, as his/her proxy to exercise all or any of his/her rights to attend, speak or vote on his/her behalf at the meeting. A member wishing to appoint a person other than the chairman of the meeting as proxy should insert the name of such person in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter alongside the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Any alteration or deletion must be signed or initialled.
2. A member may appoint more than one proxy in relation to a meeting, provided that the proxy is appointed to exercise the rights attached to a different share or shares held by him/her. To appoint more than one proxy, please contact The City Partnership (UK) Limited on 0131 243 7210 for (an) additional form(s), or you may photocopy this form. Please indicate alongside the proxy holder's name the number of shares in relation to which the proxy holder is authorised to act as your proxy. Please also indicate by placing an X in the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
3. Use of the form of proxy does not preclude a member from attending and voting in person.
4. Where the form of proxy is executed by an individual it must be signed by that individual or his or her attorney.
5. Where the form of proxy is executed by joint shareholders it may be signed by any of the members, but the vote of the member whose name stands first in the register of members of the Company will be accepted to the exclusion of the votes of the other joint holders.
6. Where the form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
7. If the form of proxy is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes, as he/she will on any other matters to arise at the meeting.
8. To be valid, the form of proxy, together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be sent or delivered to The City Partnership (UK) Limited at c/o Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by fax to 01252 719232 or by scan and email to proxies@shareregistrars.uk.com to be received no later than 12 noon on 20 June 2013.
9. The "vote withheld" option is provided to enable a member to abstain from voting on the resolution; however, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" and "against" the resolution.